

**BAC INTERNATIONAL BANK, INC.
AND SUBSIDIARIES**
(Panama, Republic of Panama)

Consolidated Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholder BAC International Bank, Inc.:

We have audited the accompanying consolidated balance sheets of BAC International Bank, Inc. and Subsidiaries (the Bank) as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholder's equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BAC International Bank, Inc. and Subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 (p) to the consolidated financial statements, effective January 1, 2009, the Bank adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes - Overall*.

As discussed in notes 2 (m) and 22, the Bank adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, in two steps; effective January 1, 2008, the Bank adopted it for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis (including those for which the fair value option was elected) and, effective January 1, 2009, for all non-financial instruments accounted for at fair value on a non-recurring basis.

KPMG

February 19, 2010
Panama, Republic of Panama

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Balance Sheets

December 31, 2009 and 2008

(In U.S. Dollars)

	2009	2008
Assets		
Cash and cash equivalents	\$ 1,657,635,273	1,546,054,808
Interest-bearing deposits	66,247,692	10,388,735
Trading securities	10,476,261	16,596,718
Securities available for sale	504,371,063	402,421,684
Securities held to maturity	7,907,992	8,737,645
Loans at fair value	40,384,601	43,020,107
Loans	5,032,387,128	5,160,486,420
Less:		
Allowance for loan losses	105,169,337	123,535,949
Unearned income and deferred loan fees and costs	28,738,714	24,059,736
Loans, net	<u>4,898,479,077</u>	<u>5,012,890,735</u>
Property and equipment, net	182,651,091	176,684,356
Investments in unconsolidated entities	1,351,767	2,044,899
Customers' liability under acceptances outstanding	3,010,062	9,481,876
Accrued interest receivable	48,645,103	46,853,700
Other accounts receivable	72,294,071	71,802,068
Goodwill	85,252,924	85,389,088
Intangible assets	12,841,841	16,048,787
Other assets	89,373,568	76,834,001
Total assets	<u>\$ 7,680,922,386</u>	<u>7,525,249,207</u>
Liabilities and Stockholder's Equity		
Deposits:		
Demand non-interest-bearing	\$ 317,579,075	332,350,746
Demand interest-bearing	1,865,302,231	1,562,225,075
Savings	963,609,721	821,536,134
Time deposits	2,202,264,884	2,064,564,462
Total deposits	<u>5,348,755,911</u>	<u>4,780,676,417</u>
Securities sold under agreements to repurchase	35,313,786	30,488,158
Borrowings	979,172,002	1,409,153,132
Other borrowed funds	233,410,074	217,255,009
Acceptances outstanding	3,010,062	9,481,876
Accrued interest payable	27,017,664	28,570,441
Other liabilities	243,712,938	273,161,705
Total liabilities	<u>6,870,392,437</u>	<u>6,748,786,738</u>
Equity:		
Controlling stockholder's equity:		
Common stock, US\$1,000 par value. Authorized 100,000 shares; 78,947 shares issued and outstanding	78,947,000	78,947,000
Additional paid-in capital	34,618,254	34,618,254
Retained earnings	795,727,266	756,056,517
Accumulated other comprehensive loss	(99,215,217)	(93,577,394)
Total controlling stockholder's equity	<u>810,077,303</u>	<u>776,044,377</u>
Noncontrolling interest	452,646	418,092
Total equity	<u>810,529,949</u>	<u>776,462,469</u>
Total liabilities and equity	<u>\$ 7,680,922,386</u>	<u>7,525,249,207</u>

See accompanying notes to consolidated financial statements.

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statements of Income

For the years ended December 31, 2009 and 2008

(In U.S. Dollars)

	<u>2009</u>	<u>2008</u>
Interest income:		
Loans	\$ 717,304,900	707,894,746
Interest-bearing deposits	14,825,626	18,826,715
Trading securities	220,766	575,308
Securities available for sale	19,966,539	12,433,201
Securities held to maturity	313,277	447,454
Total interest income	<u>752,631,108</u>	<u>740,177,424</u>
Interest expense:		
Deposits	184,301,236	154,076,346
Securities sold under agreements to repurchase	3,472,998	2,151,513
Borrowings and other borrowed funds	73,017,196	88,496,919
Total interest expense	<u>260,791,430</u>	<u>244,724,778</u>
Net interest income before provision for loan losses	491,839,678	495,452,646
Provision for loan losses	125,076,426	118,619,842
Net interest income after provision for loan losses	<u>366,763,252</u>	<u>376,832,804</u>
Other income (expenses):		
Service charges	181,676,834	180,855,509
Commissions and other fees, net	70,435,333	71,927,652
Foreign currency gains, net	48,904,680	53,464,191
Net gain (loss) on trading securities	1,159,163	(358,825)
Net gain on sale of securities available for sale	9,143,904	8,601,650
Gain on other investments	0	47,948,644
Other income	25,481,356	25,848,816
Total other income	<u>336,801,270</u>	<u>388,287,637</u>
Operating expenses:		
Salaries and employee benefits	209,687,848	195,305,218
Depreciation and amortization	34,846,178	32,718,713
Administrative expenses	23,061,358	23,470,559
Occupancy and related expenses	36,592,939	32,651,720
Other operating expenses	189,560,999	178,502,760
Total operating expenses	<u>493,749,322</u>	<u>462,648,970</u>
Income before income tax expense	209,815,200	302,471,471
Income tax expense	60,222,391	56,002,879
Net income	<u>149,592,809</u>	<u>246,468,592</u>
Less: net income attributable to noncontrolling interest	93,834	1,603,084
Net income attributable to controlling stockholder	<u>\$ 149,498,975</u>	<u>244,865,508</u>

See accompanying notes to consolidated financial statements.

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholder's Equity

For the years ended December 31, 2009 and 2008

(In U.S. Dollars)

	Controlling Stockholder's Equity of BAC International Bank, Inc.						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Controlling Stockholder's Equity	Noncontrolling Interest	Total Equity
Balance as of December 31, 2007	\$ 78,947,000	34,618,254	553,098,814	(55,499,434)	611,164,634	30,709,232	641,873,866
Dividends	0	0	(43,500,000)	0	(43,500,000)	0	(43,500,000)
Purchase of subsidiary shares from noncontrolling interest	0	0	0	0	0	(34,774,827)	(34,774,827)
Net effect of adoption of new accounting principle, relating to election of fair value option	0	0	1,592,195	0	1,592,195	0	1,592,195
Comprehensive income:							
Net income	0	0	244,865,508	0	244,865,508	1,603,084	246,468,592
Other comprehensive income (loss):							
Foreign currency translation	0	0	0	(30,647,519)	(30,647,519)	2,880,632	(27,766,887)
Changes in unrealized gain (loss) on securities available for sale, net of tax	0	0	0	(7,430,441)	(7,430,441)	(29)	(7,430,470)
Comprehensive income					206,787,548	4,483,687	211,271,235
Balance as of December 31, 2008	<u>78,947,000</u>	<u>34,618,254</u>	<u>756,056,517</u>	<u>(93,577,394)</u>	<u>776,044,377</u>	<u>418,092</u>	<u>776,462,469</u>
Dividends	0	0	(109,828,226)	0	(109,828,226)	(44,005)	(109,872,231)
Comprehensive income:							
Net income	0	0	149,498,975	0	149,498,975	93,834	149,592,809
Other comprehensive income (loss):							
Foreign currency translation	0	0	0	(16,081,101)	(16,081,101)	(14,969)	(16,096,070)
Changes in unrealized gain (loss) on securities available for sale, net of tax	0	0	0	10,990,536	10,990,536	(306)	10,990,230
Cash flow hedging derivatives	0	0	0	(547,258)	(547,258)	0	(547,258)
Comprehensive income					143,861,152	78,559	143,939,711
Balance as of December 31, 2009	<u>\$ 78,947,000</u>	<u>34,618,254</u>	<u>795,727,266</u>	<u>(99,215,217)</u>	<u>810,077,303</u>	<u>452,646</u>	<u>810,529,949</u>

See accompanying notes to consolidated financial statements.

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES
(Panama, Republic of Panama)

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

(In U.S. Dollars)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Net income	\$ 149,592,809	246,468,592
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	125,076,426	118,619,842
Net loss on impairment of foreclosed assets	695,937	251,197
(Release) provision for unfunded commitments	(484,930)	1,041,570
(Release) provision for claims receivable for unreturned securities	(264,179)	(227,216)
Depreciation and amortization	34,846,178	32,718,713
Amortization of deferred loan fees and costs	(107,314)	(1,305,904)
(Gain) loss on derivative financial instruments	(814,519)	1,348,451
Net decrease in trading securities	6,906,944	7,963,768
Net loss (gain) on sale of unconsolidated entities	172,678	(587,562)
Net gain on sale of securities	(10,303,067)	(8,252,256)
Gain on other investments	0	(47,948,644)
Net loss (gain) on sale of property and equipment	41,020	(3,423)
Deferred income tax expense	12,385,733	5,594,579
Equity participation in unconsolidated entities	0	(154,146)
Increase in accrued interest receivable	(2,171,066)	(16,979,260)
(Increase) decrease in other accounts receivable	(4,672,637)	23,302,964
(Increase) decrease in other assets	(12,154,047)	5,442,421
(Decrease) increase in accrued interest payable	(1,307,234)	4,372,277
Decrease in other liabilities	(27,841,994)	(15,518,729)
Net cash provided by operating activities	<u>269,596,738</u>	<u>356,147,234</u>
Cash flows from investing activities:		
Net (increase) decrease in deposits placed with original maturity over three months	(25,209,915)	6,110,609
Proceeds from sale of securities available for sale	638,593,206	211,774,866
Maturities, prepayment and calls of securities available for sale	2,049,716,098	764,974,094
Purchases of securities available for sale	(2,765,033,699)	(1,143,165,194)
Proceeds from sale of other investments	0	79,775,294
Maturities, prepayment and calls of securities held to maturity	1,012,643	11,019,741
Purchases of securities held to maturity	(296,797)	(1,050,943)
Proceeds from sale of investments in unconsolidated entities	568,963	3,000,000
Advances to unconsolidated entities, net of dividends received	0	(116,317)
Net increase in loans	(6,710,275)	(795,550,466)
Purchases of property and equipment	(43,168,021)	(67,982,956)
Proceeds from sale of property and equipment	2,738,151	19,465,858
Cash paid in purchase of non-controlling interest	0	(40,000,000)
Net cash used in investing activities	<u>(147,789,646)</u>	<u>(951,745,414)</u>
Cash flows from financing activities:		
Net proceeds from deposits received	600,379,636	709,336,413
Net proceeds from other borrowed funds	14,590,954	9,078,474
Net increase (decrease) in securities sold under agreements to repurchase	5,193,481	(18,016,968)
Proceeds from borrowings	5,120,040,680	5,292,663,483
Repayment of borrowings	(5,611,016,133)	(4,953,642,745)
Net change in overdraft line of credit	0	(5,447,898)
Dividends	(109,872,231)	(43,500,000)
Net cash provided by financing activities	<u>19,316,387</u>	<u>990,470,759</u>
Effect of exchange rate fluctuations on cash held	<u>(29,543,014)</u>	<u>(45,285,791)</u>
Net increase in cash and cash equivalents	111,580,465	349,586,788
Cash and cash equivalents at beginning of the year	<u>1,546,054,808</u>	<u>1,196,468,020</u>
Cash and cash equivalents at end of year	<u>\$ 1,657,635,273</u>	<u>1,546,054,808</u>

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

December 31, 2009 and 2008

(1) Organization

BAC International Bank, Inc. was incorporated on August 25, 1995 in Panama City, Republic of Panama, as a bank and bank holding company. BAC International Bank, Inc. is a 100% owned subsidiary of BAC International Corporation (the Parent Company), and provides, directly and through its wholly owned subsidiaries, Credomatic International Corporation (CIC), BAC International Bank (Grand Cayman) (BAC Cayman), BAC Bahamas Bank Ltd. (a direct subsidiary since 2008), Rudas Hill Financial, Inc., Premier Asset Management, Inc., BAC Leasing, Inc. and BAC Valores (Panama), S. A., (collectively, the "Bank") a wide variety of financial services to individuals and institutions, principally in Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama. Credit card operations are carried out through CIC and its subsidiaries.

The banking operations in Panama are subject to regulatory requirements of the Superintendency of Banks of the Republic of Panama, pursuant to Law Decree No.9 of February 26, 1998 as modified by Law Decree No.2 of February 22, 2008.

These consolidated financial statements are expressed in U.S. dollars.

(2) Summary of Significant Accounting Policies

The accounting and reporting policies of the Bank and its subsidiaries are in accordance with U.S. generally accepted accounting principles (US GAAP). The Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC is an aggregation of previously issued authoritative US GAAP in one comprehensive set of guidance organized by subject area. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to US GAAP will be incorporated into the ASC through Accounting Standards Updates (ASU).

The following is a description of significant policies and practices:

(a) *Principles of Consolidation and Investments in Unconsolidated Entities*

These consolidated financial statements include the accounts of the Bank and all majority owned subsidiaries. In consolidation all significant intercompany accounts and transactions are eliminated. Investments in companies in which the percentage of ownership is at least 20%, but not more than 50%, are accounted for under the equity method and the pro rata share of their income (loss) is included in other income. Investments in companies with less than 20% ownership are accounted for under the cost method; income is recognized when dividends are received.

On January 1, 2009, the Bank adopted an amendment to FASB ASC 810, *Consolidation*, which requires the Bank to make certain changes to the presentation of the financial statements. This amendment requires the Bank to classify noncontrolling interest (previously referred to as minority interest) as part of consolidating net income (\$1,603,084 for the year ended December 31, 2008) and to include the accumulated amount of noncontrolling interest as part of equity (\$418,092 at December 2008).

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Notes to Consolidated Financial Statements

(b) *Use of Estimates*

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with US GAAP. Actual results could differ from those estimates. Material estimates that are particularly susceptible to change include the allowance for loan losses, the fair values of financial instruments and the status of contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(c) *Cash and Cash Equivalents*

Cash and cash equivalents include cash, due from banks, certain securities, and term interest-bearing deposits with original maturities of three months or less.

(d) *Securities Purchased and Sold Agreements*

Securities purchased under resale agreements and securities sold under repurchase agreements are generally accounted for as collateralized financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest. It is the Bank's policy to take possession of securities purchased under resale agreements. The Bank monitors the market value of securities purchased and sold and obtains collateral from or returns it to counterparties when appropriate.

(e) *Securities*

Securities that are held principally for resale in the near term are classified as trading securities and recorded at fair value with changes in fair value recorded in earnings. Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. All other securities are classified as available for sale and recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, if any, on available-for-sale securities are reported as a component of accumulated other comprehensive income/loss.

Realized gains and losses from the sale of securities are recorded on a trade-date basis and determined on a specific identification basis. Realized gains and losses are included in other income as securities gains (losses).

Premiums and discounts are recognized as an adjustment to yield over the contractual term of the security using a method that approximates the interest method. If a prepayment occurs on a security, any related premium or discount is recognized as an adjustment to yield in the period in which the prepayment occurs. Interest on securities is recognized in interest income on an accrual basis.

The Bank makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis.

Effective April 1, 2009, the FASB amended ASC 320, *Investments – Debt and Equity Securities*. This amendment modified the existing model for recognition and measurement of impairment for debt securities. The two principal changes to the impairment model for securities are as follows:

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- Recognition of an other-than-temporary impairment charge for debt securities is required if any of these conditions are met: (1) the Bank does not expect to recover the entire amortized cost basis of the security, (2) the Bank intends to sell the security or, (3) it is more likely than not that the Bank will be required to sell the security before it recovers its amortized cost basis.
- If the first condition above is met, but the Bank does not intend to sell and it is not more likely than not that the Bank will be required to sell the security before recovery of its amortized cost basis, the Bank would be required to record the difference between the security's amortized cost basis and its recoverable amount in earnings and the difference between the security's recoverable amount and fair value in other comprehensive income. If either the second or third criteria are met, then the Bank would be required to recognize the entire difference between the security's amortized cost basis and its fair value in earnings.

The adoption of these pronouncements did not have a significant impact in the Bank's consolidated statement of income for the year ended December 31, 2009.

(f) *Loans*

Loans are stated at their outstanding unpaid principal balances adjusted for unearned income, when applicable, except for those loans for which fair value option was elected. Interest income on loans is recognized on an accrual basis. Loan origination fees and direct costs as well as premiums and discounts are amortized as an adjustment to yield over the term of the loan. Loans include direct financing leases that are recorded at the aggregate of future lease payments receivable plus the estimated residual value of the leased property, if applicable, less unearned income.

A loan is considered to be impaired when based on current information it is probable the Bank will not receive all amounts due in accordance with the contractual terms of a loan agreement. The fair value is measured based on either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. A loan is also considered impaired if its terms are modified in a troubled debt restructuring. When the ultimate collectability of the principal balance of an impaired loan is in doubt, all cash receipts are applied to principal. Once the recorded principal balance has been reduced to zero, future cash receipts are recorded as recoveries of any amounts previously charged off, and then to interest income to the extent any interest has been forgone.

Restructured loans are loans for which the original contractual terms have been modified to provide for terms that are less than those the Bank would be willing to accept for new loans with comparable risk because of deterioration in the borrower's financial condition. Interest on these loans is accrued at the renegotiated rates.

The Bank's policy is to discontinue accrual of interest either when reasonable doubt exists as to the full, timely collection of interest or principal, or when a loan becomes 90 days or more past due as to principal or interest. Credit card receivables that become 90 days past due or assigned to legal status are placed on non accrual status. The accrued and unpaid interest is reversed against interest income and, thereafter, the loan is accounted for on the cash method until it qualifies for return to accrual. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the

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contractual terms of a loan classified as non accrual, the loan is returned to accrual status. The Bank charges off loans when collectability of principal is not probable.

(g) *Allowance for Loan Losses and Reserve for Unfunded Lending Commitments*

The allowance for loan losses and the reserve for unfunded lending commitments represent the amounts, which, in management's judgment, will be adequate to absorb inherent losses of the existing loan portfolio and unfunded commercial lending commitments, respectively, at the balance sheet date. The Bank has developed policies and procedures for assessing the adequacy of the allowance for loan losses and the reserve for unfunded lending commitments that reflect the assessment of credit risk considering all available information. Where appropriate, this assessment includes monitoring qualitative and quantitative trends including changes in the levels of past due, criticized and nonperforming loans. In developing this assessment, the Bank must rely on estimates and exercise judgment in assessing credit risk. Depending on changes in circumstances, future assessments of credit risk may yield materially different results from the estimates, which may require an increase or a decrease in the allowance for loan losses or the reserve for unfunded lending commitments. Additions to the allowance for loan losses are based on several factors which include, but are not limited to, analytical review of loan loss experience in relation to outstanding loans, a continuing review of problem or non performing loans, overall portfolio quality and adequacy of collateral, results of regulatory examinations, evaluation of independent appraisals, and management's judgment with respect to the impact of current economic conditions on the existing loan portfolio.

The allowance on certain homogeneous loan portfolios is based on aggregated portfolio segment evaluations generally by product type. Loss forecast models are utilized for these segments which consider a variety of factors including, but not limited to, historical loss experience, estimated defaults or foreclosures based on portfolio trends, delinquencies, economic conditions and credit scores. The consumer loss forecast models are updated periodically in order to incorporate information reflective of the current economic environment. The remaining commercial portfolios are reviewed on an individual loan basis. Loans subject to individual reviews are analyzed and segregated by risk according to the Bank's internal risk rating scale. These risk classifications, in conjunction with an analysis of current economic conditions, industry performance trends, and any other pertinent information result in the estimation of the allowance for loan losses. The historical loss experience is updated periodically to incorporate the most recent data reflective of the current economic environment.

In addition to the allowance for loan losses, the Bank also estimates probable losses related to unfunded lending commitments, such as letters of credit and financial guarantees, and binding unfunded loan commitments. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to the Bank's internal risk rating scale. These risk classifications, in conjunction with an analysis of current economic conditions, performance trends and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments.

The allowance for loan losses relating to the loan portfolio, and the reserve for unfunded lending commitments are reported in the consolidated balance sheets in the allowance

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for loan losses, and other liabilities, respectively. Provision for loan losses related to the loan portfolio and unfunded lending commitments are reported in the consolidated statements of income in the provision for loan losses and other operating expenses, respectively.

(h) *Foreclosed Assets*

Assets acquired through, or in lieu of, loan foreclosures are held for sale and are initially recorded at the lower of its cost or fair value less costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance of those assets are included in other operating expenses.

(i) *Transfer of Financial Assets*

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

(j) *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets or based on use, as follows:

	<u>Years/Base</u>
Buildings and improvements	20 – 50
Aircraft	Based on hours flown
Equipment and furniture	5 – 10
Computers	3 – 5
Vehicles	5

Leasehold improvements are amortized in three to ten years or the lease term, whichever is lesser.

Expenditures for major renewals and improvements are capitalized. Repairs and maintenance expenditures are charged to expense as incurred. The cost and accumulated depreciation and amortization relating to premises and equipment retired or otherwise disposed of are eliminated from the accounts and any resulting gains or losses are credited or charged to income.

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(k) *Goodwill and Intangible Assets*

Goodwill and identified intangible assets with indefinite useful lives are not amortized but rather tested for impairment annually. This test involves assigning tangible assets and liabilities, identified intangible assets and goodwill to reporting units and comparing the fair value of each reporting unit to its carrying amount. If the fair value is less than the carrying amount, a further test is required to measure the amount of impairment.

Identified intangible assets that have a definite useful life are amortized over that life in a manner that approximates the estimated decline in the economic value of the identified intangible asset. Identified intangible assets that have a definite useful life are periodically reviewed to determine whether there have been any events or circumstances to indicate the recorded amount is not recoverable from projected undiscounted net operating cash flows. If the projected undiscounted net operating cash flows are less than the carrying amount, a loss is recognized to reduce the carrying amount to fair value, and when appropriate, the amortization period is also reduced.

(l) *Revenue Recognition*

Revenue is recognized when the earnings process is complete and collectability is assured. Specifically, brokerage commission fees are recognized in income on a trade date basis. Asset management fees, measured by assets at a particular date, are accrued as earned. Advisory fees are recognized when the transaction is complete. Commission expenses are recorded when the related revenue is recognized. Transaction-related expenses are recognized as incurred.

Credit card annual fees, net of direct lending costs, are deferred and amortized on a straight-line basis over a one-year term. Merchant's commission income is determined based on the amount and type of purchase by the cardholder and is recognized at the time the charges are billed.

The Bank offers rewards programs that allow its cardholders to earn points that can be redeemed for a broad range of rewards including cash, travel and discounted products. The Bank establishes a rewards liability based upon the points earned which are expected to be redeemed and the average cost per point redemption. The points to be redeemed are estimated based on past redemption behavior, card product type, account transaction activity and other historical card performance. The liability is reduced as the points are redeemed. The estimated cost of the rewards programs is recorded as contra-revenue against credit card commissions.

(m) *Fair Value*

The Bank adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, in two steps; effective January 1, 2008, the Bank adopted it for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis (including those for which the fair value option was elected) and effective January 1, 2009, for all non-financial instruments accounted for at fair value on a non-recurring basis. This guidance establishes a new framework for measuring fair value and expands related disclosures. Depending on the nature of the asset or liability, the Bank uses various valuation techniques and assumptions when estimating fair value.

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The Bank applies the following fair value hierarchy:

- Level 1 – Assets or liabilities for which the identical item is traded on an active exchange, such as publicly-traded instruments or futures contracts.
- Level 2 – Assets and liabilities valued based on observable market data for similar instruments, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Assets or liabilities for which significant valuation assumptions are not readily observable in the market; instruments valued based on the best available data, some of which is internally-developed, and consider risk premiums that a market participant would require.

When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Bank considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Bank looks to active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Bank looks to market observable data for similar assets and liabilities. Nevertheless, certain assets and liabilities are not actively traded in observable markets and the Bank must use alternative valuation techniques to derive a fair value measurement. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Effective April 1, 2009, the FASB amended ASC 820 in relation to determining fair value when the volume and level of activity for an asset or liability have significantly decreased and identifying transactions that are not orderly. Adoption of this amendment had an insignificant effect on the consolidated financial statements.

(n) *Derivative Financial Instruments*

The Bank makes use of derivative financial instruments, primarily as part of its management of interest rate risks.

Derivative financial instruments such as interest rate swaps and interest rate caps are used to manage interest rate risk through the exchange of interest payments based on a predetermined notional principal amount. The underlying principal balances are not affected. Net settlement amounts are reported in other income.

The Bank carries all derivatives in the consolidated balance sheets at fair value. The accounting for changes in fair value (i.e. gains or losses) of a derivative depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the type of hedge. That is, the derivative is designated by the Bank as (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge); or (2) a hedge of the variability of cash flows of a forecasted transaction to be received or paid related to a recognized asset or liability (cash flow hedge); or (3) as a freestanding.

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Changes in the fair value of a derivative that has been designated and qualifies as a fair value hedge, along with the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, are included in other income (expense) and recorded as derivative and hedging activities. Changes in the fair value of a derivative that has been designated and qualifies as a cash flow hedge are recorded in other comprehensive loss to the extent of its effectiveness, until earnings are impacted by the variability of cash flows from the hedged item. Changes in the fair value of derivatives held for trading purposes or those that do not qualify as hedges (freestanding) are included in other income (expense) and recorded as derivative and hedging activities.

At the inception of each hedge, when applicable, the Bank documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to specific assets and liabilities on the consolidated balance sheets, or to specific firm commitments or forecasted transactions.

(o) *Employee Benefits*

The Bank is subject to the labor law of each country in which it operates. The Bank provides for employee benefits when such benefit relates to services already rendered by the employee, the employee is currently entitled to receive the benefit, the payment of the benefit is probable and the amount of the benefit can be estimated.

(p) *Income Tax*

The Bank uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the enactment date period.

As of January 1, 2009, the Bank adopted the provisions of Interpretation 48, included in ASC 740, *Income Taxes*, which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Bank has taken in its income tax returns. The Bank may recognize the tax benefit from uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The adoption of these provisions resulted in no charges to 2009 opening retained earnings. Prior to the adoption of Interpretation 48, the Bank recognized the effect of income tax positions only if such positions were probable of being sustained.

(q) *Foreign Currency*

Assets, liabilities and operations of foreign subsidiaries are recorded based on the functional currency of each entity. For foreign operations, the functional currency is the local currency, in which case the assets and liabilities are translated, for consolidation purposes, at period-end rates from the local currency to the reporting currency, the U.S.

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dollar. For income and expenses, the Bank uses the yearly average exchange rate for translation from local currency to the reporting currency. Resulting unrealized gains or losses are reported as a component of accumulated other comprehensive income (loss).

When the foreign entity's functional currency is determined to be the U.S. dollar, foreign currency transactions are recorded at the exchange rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currency are re-measured into the functional currency at the exchange rate prevailing at balance sheet date. Resulting gains and losses on foreign currency transactions are included within other income in the consolidated statements of income.

(r) *Commitments and contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(s) *Reclassifications*

Certain amounts in the 2008 consolidated financial statements have been reclassified to conform to the 2009 consolidated financial statement presentation.

(3) Cash and Due from Banks, and Pledged Interest-Bearing Deposits

At December 31, 2009 and 2008, cash and due from banks aggregating \$1,014,433,134 and \$1,015,205,076, respectively, are pledged to cover legal liquidity reserve requirements.

At December 31, 2009 and 2008, interest-bearing deposits amounting to \$8,768,811 and \$8,382,000, respectively, are pledged as legal liquidity or to guarantee borrowings and other credit facilities.

(4) Supplemental Information to the Consolidated Statements of Cash Flows

Certain supplemental information related to cash flows statements are shown below.

	<u>2009</u>	<u>2008</u>
Cash paid for interest during the year	\$ <u>262,344,207</u>	<u>241,475,812</u>
Cash paid for income taxes during the year	\$ <u>49,592,936</u>	<u>49,500,649</u>
Additional information on non cash investing and financing activities is as follows:		
Changes in unrealized gain (loss) on securities available for sale, net of tax	\$ <u>10,990,230</u>	<u>(7,430,470)</u>
Change in cash flow hedging derivatives	\$ <u>(547,258)</u>	<u>0</u>
Properties acquired in settlement of loans	\$ <u>13,514,139</u>	<u>6,929,164</u>

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(5) Trading Securities

At December 31, 2009 and 2008, trading securities consist of government bonds amounting to \$10,476,261 and \$16,596,718, respectively.

Net gains (loss) on security trading activities included in earnings for the years ended December 31, 2009 and 2008 amount to \$1,159,163 and \$(358,825), respectively, including unrealized gains (loss) on trading securities for \$208,894 and \$(858,786), respectively.

At December 31, 2009 and 2008, securities with a fair value of \$224,000 and \$4,562,918, respectively, were pledged to secure repurchase agreements.

(6) Securities Available for Sale

The amortized cost, gross unrealized gains, gross unrealized losses and fair value of securities available for sale as of December 31, 2009 and 2008 is as follows:

	2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government bonds and agency securities	\$ 306,110,266	6,145,884	(1,395,864)	310,860,286
Corporate debentures	193,522,653	1,020,422	(1,050,078)	193,492,997
Other securities	<u>17,906</u>	<u>0</u>	<u>(126)</u>	<u>17,780</u>
	<u>\$ 499,650,825</u>	<u>7,166,306</u>	<u>(2,446,068)</u>	<u>504,371,063</u>

	2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government bonds and agency securities	\$ 394,079,348	191,404	(5,619,535)	388,651,217
Corporate debentures	5,567,465	164,724	(22,869)	5,709,320
Mutual funds	9,818,316	0	(1,779,635)	8,038,681
Other securities	<u>18,185</u>	<u>4,281</u>	<u>0</u>	<u>22,466</u>
	<u>\$ 409,483,314</u>	<u>360,409</u>	<u>(7,422,039)</u>	<u>402,421,684</u>

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A summary of securities available for sale as of December 31, 2009 by contractual maturity is presented below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2009	
	Amortized	Fair Value
	Cost	
Government bonds and agency securities:		
Due within one year	\$ 131,608,301	131,980,567
Due after one year but within five years	142,900,334	145,607,020
Due after five years but within ten years	20,392,095	21,488,786
Due after ten years	<u>11,209,536</u>	<u>11,783,913</u>
	<u>306,110,266</u>	<u>310,860,286</u>
Corporate debentures:		
Due within a year	7,857,600	7,890,616
Due after one year but within five years	179,341,730	179,385,421
Due after five years but within ten years	<u>6,323,323</u>	<u>6,216,960</u>
	<u>193,522,653</u>	<u>193,492,997</u>
Other:		
Without maturity	17,906	17,780
	<u>\$ 499,650,825</u>	<u>504,371,063</u>

At December 31, 2009 and 2008, securities with a carrying value of \$32,831,919 and \$3,616,775, respectively, were pledged to secure borrowings and repurchase agreements.

For the years ended December 31, 2009 and 2008, proceeds from sale of securities available for sale amounted to \$638,593,206 and \$211,774,866, respectively. Gross realized gains amounted to \$9,843,014 and \$8,726,052 for 2009 and 2008, respectively. Gross realized losses amounted to \$699,110 and \$124,402 for 2009 and 2008, respectively.

Gross unrealized losses on securities available for sale and the fair value of the related securities, aggregated by category and length of time the individual security has been in a continuous unrealized loss position at December 31, 2009 and 2008, were as follows:

	2009					
	12 Months or less		More than 12 Months		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
	Value	Losses	Value	Losses	Value	Losses
Government bonds and agency securities	\$ 80,716,723	(42,695)	58,286,702	(1,353,169)	139,003,425	(1,395,864)
Corporate debentures	131,291,479	(1,050,078)	0	0	131,291,479	(1,050,078)
Mutual funds	<u>17,780</u>	<u>(126)</u>	<u>0</u>	<u>0</u>	<u>17,780</u>	<u>(126)</u>
Total	<u>\$ 212,025,982</u>	<u>(1,092,899)</u>	<u>58,286,702</u>	<u>(1,353,169)</u>	<u>270,312,684</u>	<u>(2,446,068)</u>

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	2008					
	12 Months or less		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government bonds and agency securities	\$ 323,826,088	(4,100,941)	30,979,546	(1,518,594)	354,805,634	(5,619,535)
Corporate debentures	2,058,971	(22,869)	2,642,965	0	4,701,936	(22,869)
Mutual funds	<u>0</u>	<u>0</u>	<u>8,038,680</u>	<u>(1,779,635)</u>	<u>8,038,680</u>	<u>(1,779,635)</u>
Total	\$ <u>325,885,059</u>	<u>(4,123,810)</u>	<u>41,661,191</u>	<u>(3,298,229)</u>	<u>367,546,250</u>	<u>(7,422,039)</u>

The Bank primarily invests in local government debt securities and corporate debentures. The majority of corporate debentures are rated investment grade by the major rating agencies. The Bank evaluates corporate debt securities based on a variety of factors such as the financial health of the issuer, including whether the issuer is in compliance with the terms and covenants of the security. Most of these investments are primarily liquid securities that have a large and efficient secondary market.

At December 31, 2009, management does not have the intent to sell any of the securities classified as available for sale in the table above, and believes that it is more likely than not that it will not have to sell any securities before a recovery of cost. The unrealized losses are largely due to changes in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the securities approach their maturity date. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2009, management believes the impairments detailed in the table above are temporary and no impairment loss has been realized in the Bank's consolidated statement of income.

(7) Securities Held to Maturity

The amortized cost and fair value of securities held to maturity as of December 31, 2009 and 2008 are as follows:

	2009		2008	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Government bonds	\$ <u>7,907,992</u>	<u>7,592,157</u>	<u>8,737,645</u>	<u>8,546,295</u>

As of December 31, 2009 and 2008 the gross unrealized losses amount to \$315,835 and \$191,350, respectively; most of the securities have been on a continuous unrealized loss position for more than 12 months.

Management has the ability and intends to hold the securities classified as held to maturity in the table above until their mature, at which time the Bank will receive full value for the securities.

The held to maturity securities are primarily local government debt. Unrealized losses on these securities were caused by interest rates changes over the yields available at the time the underlying securities were purchased. Management does not believe any of the securities are

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impaired due to reasons of credit quality. Accordingly, as of December 31, 2009, management believes the impairments described above are temporary and no impairment loss has been realized in the Bank's consolidated statement of income.

A summary of securities held to maturity as of December 31, 2009, by contractual maturity, is presented below. Expected maturities would differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

		<u>2009</u>	
		<u>Amortized</u>	<u>Fair</u>
		<u>Cost</u>	<u>Value</u>
Government bonds:			
Due after one year but within five years	\$	5,257,103	5,188,392
Due after five years but within ten years		<u>2,650,889</u>	<u>2,403,765</u>
	\$	<u>7,907,992</u>	<u>7,592,157</u>

(8) Loans

The composition of loans as December 31, 2009 and 2008 is as follows:

		<u>2009</u>	<u>2008</u>
Commercial, financial and industrial	\$	1,396,591,363	1,587,078,208
Mortgage and real estate		1,463,180,846	1,269,553,794
Credit card		1,244,478,320	1,274,836,241
Vehicles		380,290,567	410,439,552
Other personal		310,616,084	346,754,075
Secured by cash		93,481,030	123,631,632
Lease financing		114,941,527	112,992,057
Overdrafts		<u>28,807,391</u>	<u>35,200,861</u>
	\$	<u>5,032,387,128</u>	<u>5,160,486,420</u>

At December 31, 2009 and 2008, the Bank had loans for \$285,705,883 and \$269,237,608, respectively, pledged to secure borrowings and other credit facilities.

At December 31, 2009 and 2008, the Bank's non-accrual and restructured loans, amounted to \$205,014,867 and \$157,607,174, respectively. The gross interest income that would have been recognized in the years ended December 31 2009, and 2008 if non-accrual loans would have performed under their original terms amounted to \$19,557,921 and \$16,006,156, respectively.

Other real estate owned assets included in other assets amounted to \$24,298,722 and \$14,749,057 at December 31, 2009 and 2008, respectively.

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The following is a summary of information pertaining to impaired loans:

	<u>2009</u>	<u>2008</u>
Impaired loans, without a valuation allowance	\$ <u>439,543</u>	<u>0</u>
Impaired loans, with a valuation allowance	\$ <u>33,672,123</u>	<u>33,821,420</u>
Valuation allowance	\$ <u>14,990,837</u>	<u>9,140,207</u>
Average recorded investment	\$ <u>41,459,597</u>	<u>39,658,927</u>
Interest income recognized on a cash basis	\$ <u>1,500,072</u>	<u>2,185,695</u>

The Bank has no commitments to lend additional funds to borrowers whose loans are impaired.

(9) Allowance for Loan Losses

The changes in the allowance for loan losses during the years ended December 31, 2009 and 2008 are presented below:

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 123,535,949	127,780,918
Provision for loan losses	125,076,426	118,619,842
Charge-offs	(162,180,421)	(136,821,240)
Recoveries	23,079,290	23,297,463
Foreign currency translation	<u>(4,341,907)</u>	<u>(9,341,034)</u>
Balance, end of year	\$ <u>105,169,337</u>	<u>123,535,949</u>

(10) Property and Equipment

Property and equipment as of December 31, 2009 and 2008 are detailed as follows:

	<u>2009</u>	<u>2008</u>
Land	\$ 20,825,579	20,460,046
Buildings and improvements	84,362,512	74,164,363
Equipment, furniture and vehicles	235,238,929	212,798,792
Constructions in progress	<u>5,755,231</u>	<u>8,686,431</u>
	346,182,251	316,109,632
Less: accumulated depreciation and amortization	<u>(163,531,160)</u>	<u>(139,425,276)</u>
	\$ <u>182,651,091</u>	<u>176,684,356</u>

(11) Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the years ended December 31, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Goodwill:		
Balance, beginning of the year	\$ 85,389,088	78,470,167
Purchase accounting adjustments	0	7,818,296
Foreign currency translation	<u>(136,164)</u>	<u>(899,375)</u>
Balance, end of the year	\$ <u>85,252,924</u>	<u>85,389,088</u>

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The gross carrying amount and accumulated amortization for each of the Bank's identified intangible assets subject to amortization at December 31, 2009 and 2008, are presented below:

		<u>2009</u>		<u>2008</u>	
	\$	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Core deposit intangible	\$	12,034,978	3,704,076	12,034,978	2,318,417
Purchased credit card relationships		7,992,127	3,793,461	7,992,127	2,100,338
Merchant relationships		739,999	436,040	739,999	316,190
Trade name		41,570	33,256	41,570	24,942
	\$	<u>20,808,674</u>	<u>7,966,833</u>	<u>20,808,674</u>	<u>4,759,887</u>

During 2008, with the purchase of a noncontrolling interest, intangible assets were acquired for \$8,157,105. Of that amount, \$1,054,978, \$6,592,127 and \$510,000 were assigned to core deposit intangible, purchased credit card relationships and merchant relationships, respectively. The weighted – average useful lives of these intangibles is 17, 13 and 15 years, respectively. None of these intangibles are deductible for tax purposes.

The aggregate amortization expense related to intangible assets for the years ended December 31, 2009 and 2008, amounted to \$3,206,255 and \$3,811,639, respectively. Amortization expense related to identified intangible assets in each of the five years subsequent to December 31, 2009, is as follows: 2010: \$2,426,446, 2011: \$1,870,800, 2012: \$1,497,749, 2013: \$1,235,245, 2014: \$1,055,569 and 2015 and thereafter: \$4,756,032.

(12) Deposits

As of December 31, 2009 and 2008, the Bank held \$1,798,684,015 and \$1,801,825,796 respectively, of time deposits with principal balances of \$100,000 and over.

Scheduled maturities of time deposits at December 31, 2009 are as follows:

Year ending December 31,

2010	\$ 2,047,094,991
2011	124,391,753
2012	20,759,771
2013	4,995,453
2014	619,237
Thereafter	<u>4,403,679</u>
	<u>\$ 2,202,264,884</u>

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(13) Securities Sold under Agreements to Repurchase

The following table summarizes certain information on securities sold under agreements to repurchase at or for the years ended December 31, 2009 and 2008:

		<u>2009</u>		<u>2008</u>	
		<u>Payable in</u>		<u>Payable in</u>	
		<u>Colones</u>	<u>US\$</u>	<u>Colones</u>	<u>US\$</u>
Carrying amount at end of year	\$	<u>23,054,432</u>	<u>12,529,354</u>	<u>27,892,797</u>	<u>2,595,361</u>
Maximum amount outstanding at any month end	\$	<u>36,428,929</u>	<u>19,693,797</u>	<u>27,892,797</u>	<u>13,267,858</u>
Average amount outstanding during the year	\$	<u>29,541,158</u>	<u>4,481,822</u>	<u>16,128,290</u>	<u>7,278,857</u>
Weighted average interest rate for the year		<u>11.11%</u>	<u>1.70%</u>	<u>9.34%</u>	<u>4.25%</u>
Weighted average interest rate at end of year		<u>11.85%</u>	<u>1.55%</u>	<u>12.59%</u>	<u>5.17%</u>
Maturities through		<u>June 2010</u>		<u>February 2009</u>	

(14) Borrowings

Borrowings at December 31, 2009 and 2008 consist of the following:

	<u>Interest Rates</u>	<u>2009 Maturity Various Through</u>	<u>Carrying Amount</u>
Payable in U. S. dollars:			
Fixed rate	0.61% to 18.00%	2025	\$ 86,964,306
Floating rate	0.68% to 18.00%	2024	653,366,663
Payable in Mexican Pesos (Mexico):			
Floating rate	6.50%	2010	58,964,522
Payable in Quetzals (Guatemala):			
Floating rate	8.12% to 9.21%	2010	47,909,767
Payable in Lempiras (Honduras):			
Floating rate	0.01% to 15.00%	2038	103,735,731
Payable in Cordobas (Nicaragua):			
Fixed rate	5.00% to 7.90%	2014	1,047,297
Payable in Colones (Costa Rica):			
Floating rate	5.00% to 18.75%	2010	\$ <u>27,183,716</u>
			<u>979,172,002</u>

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	<u>Interest Rates</u>	<u>2008 Maturity Various Through</u>	<u>Carrying Amount</u>
Payable in U. S. dollars:			
Fixed rate	1.96% to 18.00%	2025	\$ 163,333,284
Floating rate	1.15% to 12.50%	2019	1,023,303,252
Payable in Mexican Pesos (Mexico):			
Floating rate	10.27%	2010	63,163,397
Payable in Quetzals (Guatemala):			
Floating rate	8.50% to 11.50%	2010	42,852,347
Payable in Lempiras (Honduras):			
Floating rate	0.01% to 15.00%	2037	82,837,175
Payable in Cordobas (Nicaragua):			
Fixed rate	5.00% to 6.53%	2014	610,320
Payable in Colones (Costa Rica):			
Fixed rate	5.00%	2009	2,086,210
Floating rate	5.10% to 10.00%	2010	30,967,147
			\$ <u>1,409,153,132</u>

As of December 31, 2009 and 2008, the amount outstanding under the CIC Receivables Master Trust, a consolidated special purpose vehicle, aggregated \$300,000,000 and \$400,000,000, respectively. The certificates issued under such vehicle are secured by future cash flows from merchant vouchers originating in Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica, and by a financial guarantee insurance policy provided by Ambac Assurance Corp. The merchant vouchers are those to be generated by holders of credit cards issued by third-party international financial institutions, under Visa and MasterCard Credit Card Programs which are processed by the Bank. The certificates pay interest quarterly each January, April, July and October at a rate of three-month U. S. dollar LIBOR plus a margin (1.69% and 5.28%, including surety premiums, at December 31, 2009 and 2008, respectively). Principal amortization amounts will be paid to certificate holders beginning in April 2010. The certificates had an original duration of 4.68 years. At December 31, 2009, the certificates currently have a weighted - average duration of 4.1355 years.

At December 31, 2009 and 2008, secured borrowings amounted to \$644,419,159 and \$679,025,751, respectively.

At December 31, 2009, the Bank had approximately \$610,622,622 available in unused lines of credit that expire through 2012.

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Scheduled maturities of borrowings at December 31, 2009, are as follows:

Year ending December 31,

2010	\$	410,229,738
2011		139,291,251
2012		79,046,201
2013		67,935,030
2014		64,041,764
Thereafter		<u>218,628,018</u>
	\$	<u>979,172,002</u>

(15) Other Borrowed Funds

Carrying amount of other borrowed funds at December 31, 2009 and 2008 consist of debt instruments registered at and negotiable through the corresponding local stock exchanges in Guatemala, El Salvador and Costa Rica, at fixed and variable interest rates, and is detailed as follows:

<u>Payable in:</u>	<u>Interest Rates</u>			<u>2009</u>	<u>2008</u>
	<u>2009</u>	<u>2008</u>			
U.S. dollars	4.40% to 6.55%	4.88% to 6.72%	\$	101,637,288	84,646,234
Quetzals	8.31%	7.02% to 9.75%		61,101,720	57,323,657
Colones	7.50% to 10.50%	4.85% to 5.50%		57,440,123	75,285,118
Lempiras	13.50%	-		<u>13,230,943</u>	<u>0</u>
			\$	<u>233,410,074</u>	<u>217,255,009</u>

Scheduled maturities of other borrowed funds at December 31, 2009 are as follows:

Year ending December 31,

2010	\$	136,417,126
2011		9,246,434
2012		47,746,514
2013		25,000,000
2014		<u>15,000,000</u>
	\$	<u>233,410,074</u>

At December 31, 2009 and 2008, the Bank had loans receivable for \$117,817,882 and \$105,999,655, respectively, pledged to secure these other borrowed funds.

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(16) Other Operating Expenses

The following table sets forth the components of other operating expenses for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Advertising	\$ 19,875,178	23,352,603
Communications	20,047,611	18,396,155
Office supplies	7,551,869	9,126,001
Maintenance	20,789,655	15,491,704
Credit card franchise and authorization fees	16,181,470	16,250,049
Taxes other than income tax	9,486,796	8,512,181
Processing fees	5,035,812	5,264,559
Deposit insurance	4,254,034	3,755,191
Security	7,511,082	5,618,421
Armored services	8,575,161	5,853,460
Travel expenses	4,001,326	5,470,708
Other	<u>66,251,005</u>	<u>61,411,728</u>
	\$ <u>189,560,999</u>	<u>178,502,760</u>

(17) Income Taxes

Income tax expense consists of:

	<u>2009</u>	<u>2008</u>
Current	\$ 47,836,658	50,408,300
Deferred	<u>12,385,733</u>	<u>5,594,579</u>
	\$ <u>60,222,391</u>	<u>56,002,879</u>

Income tax expense was \$60,222,391 and \$56,002,879 for the years ended December 31, 2009 and 2008, respectively, and differed from the amounts computed by applying the statutory income tax rate to pretax consolidated earnings as a result of the following:

	<u>2009</u>	<u>2008</u>
Computed "expected" tax expense	\$ 66,667,609	93,228,880
Increase (decrease) in income taxes resulting from:		
Exempt and foreign source income	(11,895,618)	(31,227,448)
Tax incentives	(188,254)	(458,976)
Change in allowance	9,967,817	79,227
Change in enacted tax rate	565,251	0
Nondeductible expenses	9,047,657	5,173,918
Foreign income taxes rate differential	<u>(13,942,071)</u>	<u>(10,792,722)</u>
Income tax expense	\$ <u>60,222,391</u>	<u>56,002,879</u>

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Temporary differences between financial statement carrying amounts and tax bases of assets and liabilities that give rise to the deferred tax assets and liabilities as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Deferred tax assets:		
Net operating tax loss carryforwards	\$ 4,891,400	395,642
Allowance for loan losses	10,578,445	12,521,336
Deferred loan origination fees and costs	738,102	1,255,238
Accrued expenses	4,273,180	3,881,907
Foreclosed assets valuation	(451,076)	(153,251)
Accrued interest receivable	(677,595)	(767,055)
Net premises and equipment depreciation difference	342,033	225,980
Unrealized loss on securities available for sale	<u>264,544</u>	<u>672,806</u>
Gross deferred tax assets	19,959,033	18,032,603
Less-valuation allowance	<u>(10,094,620)</u>	<u>(126,803)</u>
Net deferred tax assets	<u>9,864,413</u>	<u>17,905,800</u>
Deferred tax liabilities:		
Net premises and equipment depreciation difference	(7,006,286)	(6,689,248)
Deferred expenses	(1,047,859)	(1,686,720)
Deferred commissions	(3,241,868)	(3,562,950)
Accrued expenses	(993,010)	(1,181,153)
Allowance for loan losses	(5,813,942)	(237,038)
Others	41,222	41,222
Unrealized gains on securities available for sale	<u>(546,424)</u>	<u>(45,748)</u>
Total deferred tax liabilities	<u>(18,608,167)</u>	<u>(13,361,635)</u>
Net deferred tax (liabilities) assets	\$ <u>(8,743,754)</u>	<u>4,544,165</u>

The valuation allowance for deferred tax assets as of December 31, 2009 and 2008 was \$10,094,620 and \$126,803, respectively. The valuation allowance at December 31, 2009 was primarily related to net operating loss carry forwards and the allowance for loan losses in a subsidiary operating in Mexico that, in the judgment of management, are not more likely than not to be realized.

The net change in the total valuation allowance for the years ended December 31, 2009 and 2008 was an increase of \$9,967,817 and \$79,227, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax-planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Bank will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2009.

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At December 31, 2009, subsidiaries of the Bank have incurred in net operating tax loss carry forwards of \$4,891,400, which are available to offset future taxable income of the applicable subsidiaries through 2019.

The Bank is subject to income taxation in various jurisdictions. At December 31, 2009, the Bank's unrecognized tax benefits, excluding related interest expense and penalties, amounted to \$3,283,994. Management does not believe it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months. Pretax interest expense and penalties related to income tax liabilities recognized in income tax expense were \$73,439 in 2009. This amount is included in other liabilities, at December 31, 2009, in addition to the Bank's liability for unrecognized tax benefits.

The following are the major tax jurisdictions in which the Bank and its affiliates operate and the earliest tax year subject to examination: United States: 2007, Mexico: 2004, Guatemala: 2007, El Salvador: 2007, Honduras: 2004, Nicaragua: 2006, Costa Rica: 2005 and Panama: 2006.

(18) Accumulated Other Comprehensive Loss, Net

The following table presents the components of and changes in accumulated other comprehensive loss for the years ended December 31, 2009 and 2008:

	<u>Foreign Currency Translation</u>	<u>Unrealized Net Gain (Loss) on Securities</u>	<u>Cash Flow Hedging Derivatives</u>	<u>Accumulated Other Comprehensive Loss</u>
Attributable to controlling stockholders equity:				
Balances as of December 31, 2007	\$ (56,385,320)	885,886	0	(55,499,434)
Current year changes	<u>(30,647,519)</u>	<u>(7,430,441)</u>	<u>0</u>	<u>(38,077,960)</u>
Balances as of December 31, 2008	(87,032,839)	(6,544,555)	0	(93,577,394)
Current year changes	<u>(16,081,101)</u>	<u>10,990,536</u>	<u>(547,258)</u>	<u>(5,637,823)</u>
Balances as of December 31, 2009	<u>(103,113,940)</u>	<u>4,445,981</u>	<u>(547,258)</u>	<u>(99,215,217)</u>
Attributable to noncontrolling interest:				
Balances as of December 31, 2007	(2,951,914)	69	0	(2,951,845)
Current year changes	<u>2,880,632</u>	<u>(29)</u>	<u>0</u>	<u>2,880,603</u>
Balances as of December 31, 2008	(71,282)	40	0	(71,242)
Current year changes	<u>(14,969)</u>	<u>(306)</u>	<u>0</u>	<u>(15,275)</u>
Balances as of December 31, 2009	<u>(86,251)</u>	<u>(266)</u>	<u>0</u>	<u>(86,517)</u>
Total accumulated other comprehensive loss, net	\$ <u>(103,200,191)</u>	<u>4,445,715</u>	<u>(547,258)</u>	<u>(99,301,734)</u>

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The following table presents details of other comprehensive loss for the years ended December 31, 2009 and 2008:

		<u>December 31, 2009</u>		
		<u>Pre-Tax Amount</u>	<u>Income tax (Expense) Benefit</u>	<u>After-tax Amount</u>
Foreign currency translation adjustment:				
Controlling interest	\$	(16,081,101)	0	(16,081,101)
Noncontrolling interest		<u>(14,969)</u>	<u>0</u>	<u>(14,969)</u>
Net current year change		<u>(16,096,070)</u>	<u>0</u>	<u>(16,096,070)</u>
Unrealized gain on securities:				
Unrealized net holding gains on securities:				
Controlling interest		21,036,223	(1,344,180)	19,692,043
Noncontrolling interest		<u>(306)</u>	<u>0</u>	<u>(306)</u>
		21,035,917	(1,344,180)	19,691,737
Less: reclassification adjustment to earnings for realized net gains, controlling interest				
		<u>(9,143,904)</u>	<u>442,397</u>	<u>(8,701,507)</u>
Net current year change		<u>11,892,013</u>	<u>(901,783)</u>	<u>10,990,230</u>
Cash flow hedging derivatives:				
Net current year change, controlling interest		<u>(547,258)</u>	<u>0</u>	<u>(547,258)</u>
Other comprehensive loss, for the year	\$	<u>(4,751,315)</u>	<u>(901,783)</u>	<u>(5,653,098)</u>
		<u>December 31, 2008</u>		
		<u>Pre-Tax Amount</u>	<u>Income tax (Expense) Benefit</u>	<u>After-tax Amount</u>
Foreign currency translation adjustment:				
Controlling interest	\$	(30,647,519)	0	(30,647,519)
Noncontrolling interest		<u>2,880,632</u>	<u>0</u>	<u>2,880,632</u>
Net current year change		<u>(27,766,887)</u>	<u>0</u>	<u>(27,766,887)</u>
Unrealized gain on securities:				
Unrealized net holding gains on securities:				
Controlling interest		(11,192,360)	2,315,348	(8,877,012)
Noncontrolling interest		<u>(29)</u>	<u>0</u>	<u>(29)</u>
		<u>(11,192,389)</u>	<u>2,315,348</u>	<u>(8,877,041)</u>
Less: reclassification adjustment to earnings for realized net gains, controlling interest				
		<u>1,961,023</u>	<u>(514,452)</u>	<u>1,446,571</u>
Net current year change		<u>(9,231,366)</u>	<u>1,800,896</u>	<u>(7,430,470)</u>
Other comprehensive loss, for the year	\$	<u>(36,998,253)</u>	<u>1,800,896</u>	<u>(35,197,357)</u>

(19) Off-Balance Sheet Financial Instruments

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include, principally, commitments to extend credit, financial guarantees and letters of credit, the balances of which are not reflected in the accompanying consolidated balance sheets.

Letters of credit are conditional commitments issued by the Bank to guarantee performance of a customer to a third party. Those letters of credit are primarily used to support trade transactions and borrowing arrangements. Generally, all letters of credit issued have

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expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer. At December 31, 2009 and 2008, the Bank had not entered into non-cancelable commitments to extend credit.

As of December 31, 2009 the Bank had outstanding revolving lines of credit available to its credit card customers in each of the various countries of operation that ranged from approximately \$117 million to \$1,374 million (\$127 million to \$1,399 million in 2008). The unused portion of the total amount available in each country, aggregated approximately from \$86 million to \$1,022 million (\$80 million to \$1,058 million in 2008). While these amounts represented the available lines of credit to customers per country, the Bank has not experienced, and does not anticipate, that all of its customers will exercise their entire available lines at any given point in time. The Bank generally has the right to increase, reduce, cancel, alter or amend the terms of these available lines of credit at any time.

Financial guarantees are used in various transactions to enhance the credit standing of the Bank's customers. They represent irrevocable assurances that the Bank will make payment in the event that the customer fails to fulfill its obligations to third parties.

The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. At December 31, 2009 and 2008 outstanding letters of credit and financial guarantees are as follows:

	<u>2009</u>	<u>2008</u>
Standby letters of credit	\$ 33,783,155	13,280,023
Commercial letters of credit	37,298,535	47,652,697
Financial guarantees	<u>200,293,947</u>	<u>215,256,715</u>
	\$ <u>271,375,637</u>	<u>276,189,435</u>

The nature, terms and maximum potential amount of future payments the Bank could be required to make under the standby letters of credit and guarantees as of December 31, 2009 and 2008, are detailed as follows:

	<u>2009</u>	<u>2008</u>
Up to 1 year	\$ 201,176,890	190,163,410
Over 1 year	<u>32,900,213</u>	<u>38,373,328</u>
	\$ <u>234,077,103</u>	<u>228,536,738</u>

Generally, the Bank has resources to recover from clients the amounts paid under these guarantees; additionally, the Bank can hold cash or other collateral to cover for these guarantees. The assets held as collateral, that the Bank can obtain and liquidate to recover totally or partially the amounts paid under guarantees as of December 31, 2009 and 2008, amounted to \$37,197,414 and \$46,112,020, respectively.

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The fair value of the letters of credit and guarantees as of December 31, 2009 and 2008 are of \$1,916,506 and \$1,669,678, respectively.

Other Commitments

During 2008, the Bank entered into a sale and leaseback of \$23,400,000 of an aircraft, which has been classified as an operating lease. Rental expense of this operating lease was \$1,129,043 and \$411,272 in 2009 and 2008, respectively.

The Bank also has several cancelable operating leases, primarily for branches and office space, that expire over the next ten years. These leases generally contain renewal options for periods ranging from three to five years and require the Bank to pay all executory costs such as maintenance and insurance. Rental payments include minimum rentals plus contingent rentals.

Minimum rental payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expense for operating leases (except those with lease terms of a month or less that were not renewed) during 2009 and 2008 amounted to \$20,025,615 and \$17,505,459, respectively.

Minimum lease payments under operating leases due in each of the five years subsequent to December 31, 2009, are as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Thereafter</u>	<u>Total</u>
\$	<u>4,060,042</u>	<u>4,066,129</u>	<u>4,078,239</u>	<u>4,083,375</u>	<u>4,089,797</u>	<u>17,269,100</u>	<u>37,646,682</u>

(20) Derivative Financial Instruments

In the normal course of business, the Bank uses interest rate derivatives primarily for economic hedging purposes in its balance sheet management activities. The fair value of derivative positions outstanding is included in accrued interest receivable and other assets and accrued interest payable and other liabilities in the accompanying consolidated balance sheets and the net change in each of these financial statement line items in the accompanying consolidated statements of income.

The Bank utilizes interest rate swaps, caps and floors to mitigate exposure to interest rate. The Bank's objectives for utilizing these derivative instruments are described below:

During 2009, the Bank entered into an interest rate swap contract on variable-rate borrowing with a total notional amount of \$130,000,000. The interest rate swap contract was designated as hedging instrument in cash flow hedge with the objective of protecting the overall cash flows from the Bank's interest payments on a \$130,000,000 variable-rate borrowing outstanding throughout the 32-month period beginning in June 2007 and ending in March 2017 from the risk of variability of those cash flows. Under the swap, the Bank pays a fixed interest rate of 2.87% and receives a variable interest rate equal to 3 months LIBOR with 32 settlements, starting on June 30, 2009.

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The Bank has entered into certain interest rate swap, cap and floor contracts that are not designated as hedging instruments, but economic hedges on fixed-rate residential loans from customers. The transactions allow the Bank to effectively convert a fixed rate loan to a variable rate and manage its consolidated balance sheet.

The notional amounts and estimated fair values of interest rate derivative contracts outstanding at December 31, 2009 and 2008 are presented in the following table. The fair values of interest rate derivative contracts are estimated utilizing internal valuation models with observable market data inputs.

	2009			2008		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Other Assets	Other Liability		Other Assets	Other Liability
Freestanding:						
Interest rate swaps	\$ 80,000,000	198,446	0	80,000,000	0	616,073
Interest rate caps	<u>3,375,000</u>	<u>14,324</u>	<u>0</u>	<u>4,125,000</u>	<u>12,956</u>	<u>0</u>
	<u>\$ 83,375,000</u>	<u>212,770</u>	<u>0</u>	<u>84,125,000</u>	<u>12,956</u>	<u>616,073</u>
Cash flow hedges:						
Interest rate swap	<u>130,000,000</u>	<u>0</u>	<u>547,258</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 213,375,000</u>	<u>212,770</u>	<u>547,258</u>	<u>84,125,000</u>	<u>12,956</u>	<u>616,073</u>

For cash flow hedges, the effective portion of the gain or loss due to changes in the fair value of the derivative hedging instrument is included in other comprehensive income (loss), while the ineffective portion (indicated by the excess of the cumulative change in the fair value of the derivative over that which is necessary to offset the cumulative change in expected future cash flows on the hedge transaction) is included in other income. For non-hedging derivative instruments, gains and losses due to changes in fair value are included in other income (expense).

No ineffectiveness related to interest rate derivatives designated as hedges of cash flows was recognized in the consolidated statements of income during the reported periods. The accumulated net loss related to effective cash flow hedges included in accumulated other comprehensive income totaled \$0.55 million at December 31, 2009. The Bank does not expect any net after-tax loss related to effective cash flow hedges. This amount represents management's best estimate given current expectations about market interest rates. Because actual market interest rates may differ from management's expectations, there can be no assurance as to the ultimate amount that will be reclassified into earnings during 2010.

Unrealized gains (losses) from non-hedging derivatives reported in other income amounted to \$814,519 and \$(1,348,451) for the years ended December 31, 2009 and 2008, respectively. Interest expense related to non-hedging derivatives for the years ended December 31, 2009 and 2008 amount to \$0 and \$309,380, respectively.

Derivative contracts involve the risk of dealing with institutional derivative counterparties and their ability to meet contractual terms. Institutional counterparties must have an investment grade credit rating and be approved by the Bank's Asset/Liability Committee. The Bank's credit exposure on interest rate swaps is limited to the net favorable value and interest payments of all swaps by each counterparty. There are no credit-risk-related contingent features associated with any of the Bank's derivative contracts.

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The Bank did not pledge or receive collateral related to derivative contracts at December 31, 2009.

(21) Concentration of Credit Risk

Concentrations of credit risk arise when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Bank's total credit exposure. Through the operation of subsidiary companies in Central American countries, however, the Bank has widened its lending activities, diversifying into other consumer and commercial products. The loan book is well diversified by economic sector and by individual exposures. By country the largest loan exposures are held in Costa Rica, Honduras and El Salvador.

(22) Disclosures about Fair Value of Financial Instruments

The Bank established a process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally-developed models that primarily use, as inputs, market-based or independently sourced market parameters, including but not limited to yield curves, interest rates, debt prices, foreign exchange rates and credit curves. In addition to market information, models also incorporate transaction details, such as maturity. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Bank believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Financial Instruments Measured at Fair Value

Following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Securities

Where quoted prices are available in an active market, securities are classified in level 1 of the valuation hierarchy. Level 1 securities include highly liquid government and agency bonds, and exchange-traded equities. If quoted market prices are not available for the specific security, then fair values are estimated by using quoted prices of securities with similar characteristics or discounted cash flows (Level 2). In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. For instance, in the valuation of certain debt obligations the determination of fair value may require benchmarking to similar instruments or analyzing default and recovery rates.

Loans

Where pricing information is not available for the specific loan, the valuation is generally based upon using discounted cash flow models with market-based credit spreads of comparable debt instruments. In addition, general market conditions, including prevailing market spreads for

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credit and liquidity risk, assumptions about prepayment speeds, default rates and loss severity rates are also considered in the valuation process.

Effective January 1, 2009, the Bank adopted the fair value option under FAS ASC 820, whereby the Bank elected to report \$28,642,874 mortgage loans at fair value (Level 3) in order to have them on the same accounting basis (measured at fair value through earnings) as the derivatives economically hedging these loans. The impact of adopting the fair value option increased retained earnings by \$1,592,195, net of tax. The fair value of the mortgage loans upon adoption was \$30,235,069 and their carrying value \$28,642,874.

Interest income on these loans is recorded in interest on loans in the consolidated statements of income. At December 31, 2009 and December 31, 2008, none of these loans were 90 days or more past due and still accruing interest. For the years ended December 31, 2009 and 2008, the Bank recognized \$3,223,295 and \$2,251,264, respectively, related to interest income on such loans. Net (losses) gains resulting from changes in fair value on these loans of \$(1,646,929) and \$1,498,058 were recorded in other income during the years ended December 31, 2009 and 2008, respectively. These gains and losses were primarily attributable to changes in interest rates. These changes in fair value were predominately offset by hedging activities.

Derivatives

The majority of derivatives entered into by the Bank are executed over the counter and so are valued using internal valuation techniques as no quoted market prices exist for such instruments. The valuation technique and inputs depend on the type of derivative and the nature of the underlying. The key inputs to the models depend upon the type of derivative and the nature of the underlying instrument and include period to maturity and market-based parameters such as interest rate yield curves, the spot price of the underlying, volatility, the credit quality of the counterparty and correlation. Further, many of the models do not contain a high level of subjectivity as the methodologies used in the models do not require significant judgment, and inputs to the model are readily observable from actively quoted markets, as is the case for “plain vanilla” interest rate swaps. Such instruments are generally classified within Level 2 of the valuation hierarchy.

Assets and liabilities measured at fair value on a recurring basis, including financial instruments for which the Bank has elected the fair value option, are summarized below:

<i>At December 31, 2009</i>	Level 1	Level 2	Level 3	Net Balance
Assets				
Trading securities	\$ 10,303,444	172,817	0	10,476,261
Securities available for sale	407,326,671	87,649,737	9,394,655	504,371,063
Loans	0	0	40,384,601	40,384,601
Derivatives	0	212,770	0	212,770
Total assets	\$ 417,630,115	88,035,324	49,779,256	555,444,695
Liabilities				
Derivatives	\$ 0	547,258	0	547,258
Total liabilities	\$ 0	547,258	0	547,258

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<i>At December 31, 2008</i>	Level 1	Level 2	Level 3	Net Balance
Assets				
Trading securities	\$ 16,596,718	0	0	16,596,718
Securities available for sale	383,042,776	19,378,908	0	402,421,684
Loans	0	0	43,020,107	43,020,107
Derivatives	0	12,956	0	12,956
Total assets	\$ 399,639,494	19,391,864	43,020,107	462,051,465
Liabilities				
Derivatives	\$ 0	616,073	0	616,073
Total liabilities	\$ 0	616,073	0	616,073

The table below includes a roll forward of the balance sheet amounts for the years ended December 31, 2009 and 2008 (including the change in fair value), for financial instruments classified by the Bank within Level 3 of the valuation hierarchy. When a determination is made to classify a financial instrument within Level 3, the determination is based upon the significance of the unobservable parameters to the overall fair value measurement. However, Level 3 financial instruments typically include, in addition to the unobservable or Level 3 components, observable components (that is, components that are actively quoted and can be validated to external sources); accordingly, the gains and losses in the table below include changes in fair value due in part to observable factors that are part of the valuation methodology.

<i>Year ended December 31, 2009</i>	Fair value as of January 1, 2009	Total realized gains and (losses) included in earnings	Transfers in and/or out of Level 3	Origination, and settlements	Fair value as of December 31, 2009	Unrealized gains (losses) as of December 31, 2009
Assets						
Securities available for sale	\$ 0	0	9,425,979	0	9,394,655	(31,324)
Loans	43,020,107	(1,646,929)	0	(988,577)	40,384,601	(54,735)
Total	\$ 43,020,107	(1,646,929)	9,425,979	(988,577)	49,779,256	(86,059)

<i>Year ended December 31, 2008</i>	Fair value as of January 1, 2008	Total realized gains and (losses) included in earnings	Transfers in and/or out of Level 3	Origination, and settlements	Fair value as of December 31, 2008	Unrealized gains (losses) as of December 31,2008
Assets						
Loans	\$ 30,235,069	1,498,058	0	11,286,980	43,020,107	3,090,253

Non-Recurring Fair Value Measurement

The Bank has non-financial assets measured at fair value. Certain non-financial assets are not measured at fair value on recurring basis but are subject to fair value adjustments only in certain circumstances. These assets include assets held for sale (upon initial recognition or

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subsequent impairment), certain loans that are written down to the fair value of the underlying collateral when deemed impaired, and intangible assets and other non-financial long-lived assets when determined to be impaired.

Non-recurring fair value amounts (as measured at the time of the adjustment) for assets still held at December 31, 2009 totaled \$16,338,871 which correspond to certain impaired loans identified as Level 3.

Fair Value of Financial Instruments

The fair values of such instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable values could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Bank. The provisions of FASB ASC 825 do not require the disclosure of the fair value of lease financing arrangements and nonfinancial instruments. The following disclosures represent financial instruments in which the ending balance at December 31, 2009 and 2008, is not carried at fair value in its entirety on the Bank's consolidated balance sheets.

The following is a description of the methods and assumptions used to estimate fair value of the most significant financial instruments held by the Bank:

- (a) *Financial Instruments with Carrying Value Approximating Fair Value:* Including cash and cash equivalents, interest bearing deposits, customers' liability under acceptances outstanding and acceptances outstanding, are valued at their carrying amounts reported in the consolidated balance sheets, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments.
- (b) *Securities held to maturity:* Are predominately valued at quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of similar instruments. In instances when significant valuation assumptions are not readily observable in the market, instruments are valued based on the best available data in order to approximate fair value. This data may be internally-developed and considers risk premiums that a market participant would require.
- (c) *Loans:* The majority of the Bank's loans are not carried at fair value on a recurring basis nor are they actively traded. Fair values were estimated for certain groups of similar loans based upon type of loan and maturity. The fair value of these loans was determined by discounting estimated cash flows using interest rates approximating the market participants' current origination rates for similar loans and adjusted to reflect the inherent credit risk; this fair value does not represent a current indicator of an exit price. Fair values for consumer installment loans (including automobile and consumer real estate loans), for which market rates for comparable loans are readily available, are based upon discounted cash flows adjusted for prepayments. The discount rate used for consumer installment loans are based on the current market rates adjusted for credit, and other risks that are applicable to a particular asset class. Fair value for credit card receivables is based upon discounted expected cash flows. The discount rates used for credit card

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receivables incorporate only the effects of interest rate changes, because the expected cash flows already reflect an adjustment for credit risk. For loans with doubt as to collectibility, expected cash flows are discounted using an appropriate rate considering the time of collection and the premium for the uncertainty of the flows. The value of collateral is also considered. Loan prepayments are used to adjust future cash flows based on historical patterns. The assumptions used are expected to approximate those that market participants would use in valuing loans.

- (d) *Deposit liabilities:* With no defined maturity such as demand deposits, NOW/money market accounts, and savings accounts have a fair value equivalent to the amount payable on demand at the reporting date, i.e., their carrying amounts. Fair values for time deposits are estimated using a discounted cash flow calculation that applies current interest rates to a schedule of aggregated expected maturities. The assumptions used in the discounted cash flow analysis are expected to approximate those that market participants would use in valuing such deposits.
- (e) *Securities sold under agreements to repurchase:* No quoted prices exist for such instruments and so fair value is determined using a discounted cash-flow technique. Cash flows are estimated based on the terms of the contract, taking into account any embedded derivative or other features. Expected cash flows are discounted using market rates appropriate to the maturity of the instrument as well as the nature and amount of collateral taken or received.
- (f) *Borrowings:* The fair value is estimated based on current market interest rates for debt with similar maturities and is adjusted for the Bank's credit quality and collateral.
- (g) *Other borrowed funds:* The fair value is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Bank for debt with similar terms, adjusted for credit quality.
- (h) *Off balance sheet financial instruments:* The fair value of "standby" letters of credit and written financial guarantees were estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and current creditworthiness of the counterparties. Refer to note 19 for fair value information.

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Information about the fair value of on-balance sheet financial instruments at December 31, 2009 and 2008, is presented below:

	<u>2009</u>		<u>2008</u>	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Financial Assets				
Cash and cash equivalents	\$ 1,657,635,273	1,657,635,273	1,546,054,808	1,546,054,808
Interest-bearing deposits	66,247,692	66,247,692	10,388,735	10,388,735
Securities held to maturity	7,907,992	7,592,157	8,737,645	8,546,295
Loans, excluding financial leases	4,795,993,471	4,791,973,101	4,728,243,224	4,707,626,289
Customers' liability under acceptances outstanding	3,010,062	3,010,062	9,481,876	9,481,876
Financial Liabilities				
Deposits	\$ 5,348,755,911	5,353,322,733	4,780,676,417	4,783,984,722
Securities sold under agreements to repurchase	35,313,786	35,313,786	30,488,158	30,488,158
Borrowings	979,172,002	974,986,597	1,409,153,132	1,405,045,031
Other borrowed funds	233,410,074	234,577,346	217,255,009	215,429,157
Acceptances outstanding	3,010,062	3,010,062	9,481,876	9,481,876

(23) Administration of Trust Contracts and Asset Management

As of December 31, 2009 and 2008, several of the Bank's subsidiaries administer and are custodian of assets which amounted to approximately \$1,313,821,439 and \$793,113,939, respectively.

(24) Related Party Transactions

The Bank in the normal course of business enters into transactions with related parties, including principal officers and directors. The following table sets forth balances and transactions with related parties as of December 31, 2009 and 2008 and for the years then ended:

	<u>2009</u>	<u>2008</u>
Assets:		
Due from banks	\$ 15,206,490	40,329,250
Interest-bearing deposits	1,565,000	7,010,000
Securities available for sale	0	8,038,681
Loans receivable	77,940,777	76,926,351
Accrued interest and other receivables	<u>806,321</u>	<u>1,120,844</u>
	<u>\$ 95,518,588</u>	<u>133,425,126</u>

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	<u>2009</u>	<u>2008</u>
Liabilities:		
Demand deposits	\$ 72,550,035	42,401,016
Time deposits	145,942,818	104,859,630
Borrowings	68,101,811	75,208,139
Accrued interest and other liabilities	<u>1,981,178</u>	<u>1,996,214</u>
	<u>\$ 288,575,842</u>	<u>224,464,999</u>
Interest and other operating income	\$ <u>6,565,168</u>	<u>6,837,919</u>
Interest and other operating expenses	\$ <u>11,247,661</u>	<u>5,017,144</u>

(25) Litigation

To the best knowledge of Bank's management, there is currently no litigation or assessment that may result in a material adverse effect on its business, its consolidated financial condition or consolidated results of operations.

(26) Regulatory Matters

Banking operations of the Bank are subject to various regulatory requirements administered by governmental agencies in the countries they operate or are licensed. Failure to meet these regulatory requirements can initiate certain mandatory, and possibly additional discretionary, actions by the regulators that, if undertaken, could have a material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets and certain off balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to help ensure capital adequacy require the Bank to maintain minimum amounts and ratios of Total and Tier I Capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I Capital (as defined). Management believes that, as of December 31, 2009 and 2008, the Bank meets all capital-adequacy requirements to which it is subject. The Bank's capital ratios are also presented in the following table:

	<u>Bank's Ratio</u>		<u>Minimum Capital Adequacy Required</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Total capital to risk weighted assets	11.97%	11.42%	8.0%	8.0%
Tier 1 capital to risk weighted assets	13.74%	12.92%	4.0%	4.0%

(27) Subsequent Events

The Bank has evaluated subsequent events from the balance sheet date through February 19, 2010, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.