

**BAC INTERNATIONAL BANK, INC.
AND SUBSIDIARIES**

(Panama, Republic of Panama)

Consolidated Financial Statements

December 31, 2008 and 2007

(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, 2008 and 2007, 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, 2008 and 2007, 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 Notes 2(m) and 23, as of January 1, 2008, the Bank has adopted SFAS No.157 "Fair Value Measurements" and SFAS No.159, "The Fair Value Option for Financial Assets and Financial Liabilities".

KPMG

February 12, 2009
Panama, Republic of Panama

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Consolidated Balance Sheets

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	US\$ 1,546,054,808	1,196,468,020
Interest-bearing deposits	10,388,735	21,394,356
Trading securities	16,596,718	27,347,792
Securities available for sale	402,421,684	245,011,560
Securities held to maturity	8,737,645	19,155,737
Loans at fair value	43,020,107	0
Loans	5,160,486,420	4,673,544,697
Less:		
Allowance for loan losses	123,535,949	127,780,918
Unearned income and deferred loan fees and costs	24,059,736	25,077,546
Loans, net	<u>5,012,890,735</u>	<u>4,520,686,233</u>
Property and equipment, net	176,684,356	161,575,891
Investments in unconsolidated entities	2,044,899	4,169,090
Customers' liability under acceptances outstanding	9,481,876	3,079,401
Accrued interest receivable	46,853,700	30,606,130
Other accounts receivable	71,802,068	82,727,523
Goodwill	85,389,088	78,470,167
Intangible assets	16,048,787	11,703,322
Other assets	76,834,001	104,391,056
Total assets	<u>US\$ 7,525,249,207</u>	<u>6,506,786,278</u>
Liabilities and Stockholder's Equity		
Deposits:		
Demand non-interest-bearing	US\$ 332,350,746	269,093,936
Demand interest-bearing	1,562,225,075	1,403,764,589
Savings	821,536,134	721,954,588
Time deposits	<u>2,064,564,462</u>	<u>1,798,706,950</u>
Total deposits	<u>4,780,676,417</u>	<u>4,193,520,063</u>
Securities sold under agreements to repurchase	30,488,158	49,201,840
Borrowings	1,409,153,132	1,123,103,587
Other borrowed funds	217,255,009	213,476,324
Acceptances outstanding	9,481,876	3,079,401
Accrued interest payable	28,570,441	25,321,475
Other liabilities	<u>273,161,705</u>	<u>257,209,722</u>
Total liabilities	<u>6,748,786,738</u>	<u>5,864,912,412</u>
Minority interest	<u>418,092</u>	<u>30,709,232</u>
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	756,056,517	553,098,814
Accumulated other comprehensive loss	<u>(93,577,394)</u>	<u>(55,499,434)</u>
Total stockholder's equity	<u>776,044,377</u>	<u>611,164,634</u>
Total liabilities and stockholder's equity	<u>US\$ 7,525,249,207</u>	<u>6,506,786,278</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Income

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Interest income:		
Loans	US\$ 707,894,746	546,400,985
Interest-bearing deposits	18,826,715	22,671,695
Trading securities	575,308	592,488
Securities available for sale	12,433,201	17,899,055
Securities held to maturity	447,454	385,017
Total interest income	740,177,424	587,949,240
Interest expense:		
Deposits	154,076,346	129,866,944
Securities sold under agreements to repurchase	2,151,513	3,332,307
Borrowings and other borrowed funds	88,496,919	66,560,602
Total interest expense	244,724,778	199,759,853
Net interest income before provision for loan losses	495,452,646	388,189,387
Provision for loan losses	118,619,842	88,764,845
Net interest income after provision for loan losses	376,832,804	299,424,542
Other income (expenses):		
Service charges	180,855,509	146,916,928
Commissions and other fees, net	71,927,652	78,490,920
Foreign currency gains, net	53,464,191	21,682,106
Net (loss) gain on trading securities	(358,825)	394,619
Net gain on sale of securities available for sale	8,601,650	12,238,704
Gain on other investments	47,948,644	32,510,635
Other income	25,848,816	22,677,772
Total other income	388,287,637	314,911,684
Operating expenses:		
Salaries and employee benefits	195,305,218	162,430,805
Depreciation and amortization	32,718,713	26,162,043
Administrative expenses	23,470,559	21,775,112
Occupancy and related expenses	32,651,720	25,318,384
Other operating expenses	178,502,760	149,659,766
Total operating expenses	462,648,970	385,346,110
Income before income tax expense and minority interest	302,471,471	228,990,116
Income tax expense	56,002,879	35,914,587
Income before minority interest	246,468,592	193,075,529
Minority interest	1,603,084	9,411,850
Net income	US\$ 244,865,508	183,663,679

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Stockholder's Equity

Years ended December 31, 2008 and 2007

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholder's Equity
Balance as of December 31, 2006	US\$ 78,947,000	34,618,254	407,435,135	(59,636,795)	461,363,594
Dividends	0	0	(38,000,000)	0	(38,000,000)
Comprehensive income:					
Net income	0	0	183,663,679	0	183,663,679
Other comprehensive income (loss):					
Foreign currency translation	0	0	0	3,918,637	3,918,637
Changes in unrealized gain (loss) on securities available for sale, net of tax	0	0	0	218,724	218,724
Comprehensive income					<u>187,801,040</u>
Balance as of December 31, 2007	<u>78,947,000</u>	<u>34,618,254</u>	<u>553,098,814</u>	<u>(55,499,434)</u>	<u>611,164,634</u>
Dividends	0	0	(43,500,000)	0	(43,500,000)
Net effect of adoption of new accounting principle (SFAS No.159)	0	0	1,592,195	0	1,592,195
Comprehensive income:					
Net income	0	0	244,865,508	0	244,865,508
Other comprehensive income (loss):					
Foreign currency translation	0	0	0	(30,647,519)	(30,647,519)
Changes in unrealized gain (loss) on securities available for sale, net of tax	0	0	0	(7,430,441)	(7,430,441)
Comprehensive income					<u>206,787,548</u>
Balance as of December 31, 2008	<u>US\$ 78,947,000</u>	<u>34,618,254</u>	<u>756,056,517</u>	<u>(93,577,394)</u>	<u>776,044,377</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Net income	US\$ 244,865,508	183,663,679
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan losses	118,619,842	88,764,845
Net loss on impairment of foreclosed assets	251,197	240,329
Provision (release) for unfunded commitments	1,041,570	(66,408)
Release provision for claims receivable for unreturned securities	(227,216)	(4,136,939)
Depreciation and amortization	32,718,713	26,162,043
Amortization of deferred loan fees and costs	2,542,556	(5,308,958)
Loss on derivative financial instrument	0	67,801
Net decrease (increase) in trading securities	7,963,768	(4,839,560)
Net gain on sale of unconsolidated entities	(587,562)	0
Net gain on sale of securities	(8,252,256)	(12,633,323)
Gain on other investments	(47,948,644)	(32,510,635)
Net loss (gain) on sale of property and equipment	(3,423)	72,272
Deferred taxes	5,594,579	(8,264,567)
Equity participation in unconsolidated entities	(154,146)	(312,694)
Minority interest	1,603,084	9,411,850
Increase in accrued interest receivable	(16,979,260)	(6,838,935)
Decrease (increase) in other accounts receivable	23,302,964	(5,169,021)
Decrease (increase) in other assets	1,593,961	(30,544,301)
Increase in accrued interest payable	4,372,277	293,219
(Decrease) increase in other liabilities	(14,170,278)	62,796,580
Net cash provided by operating activities	<u>356,147,234</u>	<u>260,847,277</u>
Cash flows from investing activities		
Net decrease in deposits placed with original maturity over three months	6,110,609	20,528,071
Proceeds from sale of securities available for sale	211,774,866	129,528,624
Maturities, prepayment and calls of securities available for sale	764,974,094	450,993,023
Purchases of securities available for sale	(1,143,165,194)	(510,942,923)
Proceeds from sale of other investments	79,775,294	0
Maturities, prepayment and calls of securities held to maturity	11,019,741	183,835
Purchases of securities held to maturity	(1,050,943)	(9,814,396)
Proceeds from sale of investments in unconsolidated entities	3,000,000	0
Dividends received from unconsolidated entities, net of advance	(116,317)	190,525
Net increase in loans	(795,550,466)	(1,198,297,446)
Purchases of property and equipment	(67,982,956)	(36,044,691)
Proceeds from sale of property and equipment	19,465,858	516,284
Cash paid in purchase of businesses and minority interest, net of cash received	(40,000,000)	(4,688,303)
Net cash used in investing activities	<u>(951,745,414)</u>	<u>(1,157,847,397)</u>
Cash flows from financing activities		
Net proceeds from deposits received	709,336,413	799,111,498
Net proceeds from other borrowed funds	9,078,474	76,242,693
Net decrease in securities sold under agreements to repurchase	(18,016,968)	(7,375,631)
Proceeds from borrowings	5,292,663,483	3,222,503,773
Repayment of borrowings	(4,953,618,345)	(2,806,165,377)
Distributions to minority interest	(24,400)	(17,600)
Net change in overdraft line of credit	(5,447,898)	0
Dividends	(43,500,000)	(38,000,000)
Net cash provided by financing activities	<u>990,470,759</u>	<u>1,246,299,356</u>
Effect of exchange rate fluctuations on cash held	(45,285,791)	5,836,329
Net increase in cash and equivalents	349,586,788	355,135,565
Cash and cash equivalents at beginning of year	1,196,468,020	841,332,455
Cash and cash equivalents at end of year	<u>US\$ 1,546,054,808</u>	<u>1,196,468,020</u>

See accompanying notes to consolidated financial statements.

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

(Panama, Republic of Panama)

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(1) Organization

BAC International Bank, Inc. was incorporated on August 25, 1995, in Panama City, Republic of Panama, as a banking institution. BAC International Bank, Inc. is a 100% owned subsidiary of BAC International Corporation (the "Parent Company", which is an indirect subsidiary of BAC Credomatic Holding Company, Ltd.) 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 BAC International Bank, Inc. and its subsidiaries are in accordance with U.S. generally accepted accounting principles ("US GAAP") and they conform to general practices within the industry. The following is a description of significant policies and practices:

(a) Principles of Consolidation

These consolidated financial statements include the accounts of BAC International Bank, Inc. 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.

(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 U. S. generally accepted accounting principles. Actual results could differ from those estimates. 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.

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

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Notes to Consolidated Financial Statements

(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) in earnings.

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. The Bank considers many factors including the severity and duration of the impairment; the intent and ability of the Bank to hold the security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other than-temporary are written down to fair value with the write-down recorded as a realized loss on securities.

(f) *Loans*

Loans are stated at their outstanding unpaid principal balances adjusted for unearned income, when applicable, except for those loans measured at fair value. 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.

In 2008, the Bank modified the method applied for determining interest income on credit cardholder balances, so as to recognize income that corresponds to the lapse from the monthly cut-off date of each card to month-end date.

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This change allows for measuring with more precision income accrued over credit card activities. Effect from its retrospective application was not presented because such effect is deemed as immaterial.

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 collectibility 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 120 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 contractual terms of a loan classified as non accrual, the loan is returned to accrual status. The Bank charges off loans when collectibility 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 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.

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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 at least once a year 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 (including individual valuations on nonperforming loans in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS 114)) result in the estimation of the allowance for loan losses. The historical loss experience is updated at least quarterly 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 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 statement 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.

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When the Bank sells receivables in securitizations of loans, it might retain servicing rights, and in some cases residual values and cash reserve accounts, all of which are retained interests in the securitized loans. Gain or loss on sale of the loans depends in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the retained interests based on their fair values at the date of transfer.

(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 details:

	<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 five years or the lease term, whichever is lower.

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.

(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.

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(l) *Revenue Recognition*

Revenue is recognized when the earnings process is complete and collectibility 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*

Effective January 1, 2008, the Bank determines the fair values of its financial instruments based on the fair value hierarchy established in SFAS No. 157 "*Fair Value Measurements*" which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is used on a recurring basis for assets and liabilities that are elected to be accounted for under SFAS No. 159 "*The Fair Value Option for Financial Assets and Financial Liabilities*" as well as for certain assets and liabilities in which fair value is the primary basis of accounting. Additionally, fair value is used on a non-recurring basis to evaluate assets or liabilities for impairment or for disclosure purposes. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Bank uses various valuation techniques and assumptions when estimating fair value, which are in accordance with SFAS No. 157.

In accordance with SFAS No. 157, the Bank applied 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.

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When determining the fair value measurements for assets and liabilities required or permitted to be recorded at and/or marked to 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.

(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.

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 income (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.

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(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.

As part of these benefits, the Bank recognizes a provision for vacation time accrued but not enjoyed by its employees at each balance sheet date, when the respective law states that such vacation time is an inalienable labor right.

In the majority of countries, employee termination benefits apply principally when the employee is dismissed without due cause, in accordance with the corresponding labor law. Consequently, such benefits are contingent and are recognized in earnings as incurred. However, when the right to termination benefits is vested and does not depend on the occurrence of unforeseen future events, the Bank accrues a provision to cover the future related disbursements.

(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 carryforwards. 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. A valuation allowance is recognized when it is more likely than not that some portion or all of the deferred tax assets will not be realizable. The Bank periodically evaluates jointly with its tax specialists, any uncertain tax positions.

(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, liabilities and operations are translated, for consolidation purposes, at period-end rates from the local currency to the reporting currency, the U.S. dollar. The 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) *Reclassifications*

Certain amounts in the 2007 consolidated financial statements have been reclassified to conform to the 2008 consolidated financial statement presentation.

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(3) Business Combinations

The Bank believes the acquisitions described in the following paragraphs will enhance stockholder value by expanding the Bank's range of available products and services and increasing the distribution channels available to customers.

The Bank acquired 99.9 percent of the outstanding stock of Banco Mercantil, S. A. (BAMER), a Honduran banking institution, on June 13, 2007. The aggregate purchase price was approximately US\$132,449,000; including a cash payment of US\$130,222,000. The acquisition was accounted for under the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations". Accordingly, the results of operations of BAMER's operations have been included in the consolidated financial statements since the acquisition date.

The total purchase price of approximately US\$132,449,000 has been allocated to the assets acquired and the liabilities assumed based on their fair values at the BAMER purchase date as summarized in the following table:

		June 13, 2007
Assets		
Cash and cash equivalents	US\$	189,045,217
Securities		27,473,273
Loans, net of unearned income		535,262,228
Allowance for loan losses		<u>(20,524,886)</u>
<i>Loans, net</i>		514,737,342
Property and equipment		21,200,644
Intangible assets		12,610,000
Goodwill		57,961,469
Other assets		<u>20,408,528</u>
Total assets		<u>843,436,473</u>
Liabilities		
Deposits		532,312,308
Borrowings		151,292,964
Other liabilities		<u>27,382,615</u>
Total liabilities		<u>710,987,887</u>
Net assets acquired	US\$	<u>132,448,586</u>

Of the US\$12.6 million of acquired intangibles assets, US\$11.0 million was assigned to core deposit intangible with a weighted-average useful life of approximately 17 years. The intangible assets that make up the remaining amount include purchased credit card relationships for US\$1.4 million (10-year weighted - average useful life), and other assets of US\$0.2 million (1-year useful life). None of the intangible assets are tax deductible. Goodwill of US\$57.9 million is not deductible for tax purposes.

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During 2007, the Bank acquired the following two entities for a total cost of approximately US\$64.1 million, which was paid in cash:

- Corporacion Financiera Miravalles S. A., based in Costa Rica, a financial group that offered primarily consumer loans.
- Fundacion Salvadoreña para el Desarrollo Economico y Social, based in El Salvador, a financial group that offered primarily small business loans.

Goodwill recognized in those transactions amounted to US\$17.9 million and approximately US\$10.2 million is expected to be deductible for tax purposes.

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

At December 31, 2008 and 2007, cash and due from banks aggregating US\$1,015,205,076 and US\$743,890,147, respectively, are pledged to cover legal liquidity reserve requirements.

At December 31, 2008 and 2007, interest-bearing deposits amounting to US\$8,382,000 and US\$14,215,955, respectively, are pledged as legal liquidity or to guarantee borrowings and other credit facilities.

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

Certain supplemental information related to cash flows statement is shown below.

		<u>2008</u>	<u>2007</u>
Cash paid for interest during the year	US\$	241,475,812	196,137,877
Cash paid for income taxes during the year	US\$	<u>49,500,649</u>	<u>38,762,891</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	US\$	<u>(7,430,441)</u>	<u>218,724</u>
Gain on other investments	US\$	<u>0</u>	<u>32,510,635</u>
Properties acquired in settlement of loans	US\$	<u>6,929,164</u>	<u>4,650,623</u>
In conjunction with the business acquisitions, liabilities assumed were as follows:			
Fair value of assets acquired	US\$	0	939,582,514
Cash paid		<u>0</u>	<u>(194,349,103)</u>
Liabilities assumed	US\$	<u>0</u>	<u>745,233,411</u>

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(6) Trading Securities

At December 31, 2008 and 2007, trading securities consist of government bonds amounting to US\$16,596,718 and US\$27,347,792, respectively.

Net (loss) gains on security trading activities included in earnings for the years ended December 31, 2008 and 2007 amount to US\$(358,825) and US\$394,619, respectively, including unrealized (loss) gains on trading securities for US\$(858,786) and US\$62,587, respectively.

At December 31, 2008 and 2007, securities with a carrying value of US\$4,562,918 and US\$16,541,128, respectively, were pledged to secure repurchase agreements.

(7) Securities Available for Sale

The amortized cost, gross unrealized holding gains, gross unrealized holding losses and fair value of securities available for sale as of December 31, 2008 and 2007 is as follows:

2008				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government bonds and agency securities	US\$ 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
Others securities	18,185	4,281	0	22,466
	<u>US\$ 409,483,314</u>	<u>360,409</u>	<u>(7,422,039)</u>	<u>402,421,684</u>

2007				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government bonds and agency securities	US\$ 205,251,927	1,604,677	(347,946)	206,508,658
Corporate debentures	15,924,228	186,674	(182,995)	15,927,907
Mortgage-backed securities	5,845,319	253,566	0	6,098,885
Retained interests on securitization of mortgages	4,572,409	0	0	4,572,409
Mutual funds	12,390,838	0	(521,930)	11,868,908
Other securities	20,197	14,596	0	34,793
	<u>US\$ 244,004,918</u>	<u>2,059,513</u>	<u>(1,052,871)</u>	<u>245,011,560</u>

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A summary of securities available for sale as of December 31, 2008 and 2007 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.

		<u>2008</u>		<u>2007</u>	
		<u>Amortized</u>	<u>Fair Value</u>	<u>Amortized</u>	<u>Fair Value</u>
		<u>Cost</u>		<u>Cost</u>	
Government bonds and agency securities:					
Due within one year	US\$	252,689,524	252,509,590	43,920,603	43,931,318
Due after one year but within five years		56,570,210	55,243,691	65,740,662	65,886,602
Due after five years but within ten years		21,889,275	20,364,755	59,566,113	59,970,529
Due after ten years		<u>62,930,339</u>	<u>60,533,181</u>	<u>36,024,549</u>	<u>36,720,209</u>
		<u>394,079,348</u>	<u>388,651,217</u>	<u>205,251,927</u>	<u>206,508,658</u>
Corporate debentures:					
Due after one year but within five years		3,081,840	3,066,355	8,253,557	8,246,583
Due after five years but within ten years		<u>2,485,625</u>	<u>2,642,965</u>	<u>7,670,671</u>	<u>7,681,324</u>
		<u>5,567,465</u>	<u>5,709,320</u>	<u>15,924,228</u>	<u>15,927,907</u>
Mortgage-backed securities:					
Due after ten years		<u>0</u>	<u>0</u>	<u>5,845,319</u>	<u>6,098,885</u>
Retained interests on securitization of mortgages:					
Due after ten years		<u>0</u>	<u>0</u>	<u>4,572,409</u>	<u>4,572,409</u>
Mutual funds:					
Without maturity		<u>9,818,316</u>	<u>8,038,681</u>	<u>12,390,838</u>	<u>11,868,908</u>
Other:					
Without maturity		18,185	22,466	20,197	34,793
	US\$	<u>409,483,314</u>	<u>402,421,684</u>	<u>244,004,918</u>	<u>245,011,560</u>

At December 31, 2008 and 2007, securities with a carrying value of US\$3,616,775 and US\$42,935,635; respectively, were pledged to secure borrowings and repurchase agreements.

For the years ended December 31, 2008 and 2007, proceeds from sale of securities available for sale amounted to US\$211,774,866 and US\$129,528,624, respectively. Gross realized gains amounted to US\$8,726,052 and US\$12,430,373 for 2008 and 2007, respectively. Gross realized losses amounted to US\$124,402 and US\$191,669 for 2008 and 2007, respectively.

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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 the continuous unrealized loss position at December 31, 2008 and 2007, were as follows:

		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	US\$	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	US\$	<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>

		2007					
		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	US\$	24,529,848	(296,247)	21,319,985	(51,699)	45,849,833	(347,946)
Corporate debentures		5,362,928	(9,595)	4,411,650	(173,400)	9,774,578	(182,995)
Mutual funds		<u>8,752,374</u>	<u>(497,626)</u>	<u>544,011</u>	<u>(24,304)</u>	<u>9,296,385</u>	<u>(521,930)</u>
Total	US\$	<u>38,645,150</u>	<u>(803,468)</u>	<u>26,275,646</u>	<u>(249,403)</u>	<u>64,920,796</u>	<u>(1,052,871)</u>

The unrealized losses on investments are caused by interest rate increases. The decline in fair value is mainly attributable to changes in interest rates and not credit quality, and the Bank has the intent and ability to hold those investments until a market price recovery or maturity; therefore, these investments are not considered other-than-temporarily impaired.

(8) Securities Held to Maturity

The amortized cost and fair value of securities held to maturity as of December 31, 2008 and 2007 are as follows:

		2008		2007	
		Amortized Cost	Fair Value	Amortized Cost	Fair Value
Government bonds	US\$	8,737,645	8,546,295	14,167,646	14,308,202
Corporate debentures		<u>0</u>	<u>0</u>	<u>4,988,091</u>	<u>4,689,800</u>
	US\$	<u>8,737,645</u>	<u>8,546,295</u>	<u>19,155,737</u>	<u>18,998,002</u>

As of December 31, 2008 and 2007 the gross unrealized losses amount to US\$191,350 and US\$157,735, respectively; most of the securities have been on a continuous unrealized loss position for more than 12 months. Management considers the unrealized losses to be attributable to increase in interest rates and not due to decline in the credit quality of the issuers. Therefore, these securities are not considered to be other-than-temporarily impaired.

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A summary of securities held to maturity as of December 31, 2008 and 2007, 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>2008</u>	<u>Fair</u>	<u>2007</u>	<u>Fair</u>
		<u>Amortized</u>	<u>Value</u>	<u>Amortized</u>	<u>Value</u>
		<u>Cost</u>		<u>Cost</u>	
Government bonds:					
Due after one year but within					
five years	US\$	8,737,645	8,546,295	4,912,204	5,052,760
Due after five years but within					
ten years		0	0	16,567	16,567
Due after ten years		<u>0</u>	<u>0</u>	<u>9,238,875</u>	<u>9,238,875</u>
		<u>8,737,645</u>	<u>8,546,295</u>	<u>14,167,646</u>	<u>14,308,202</u>
Corporate debentures:					
Due after one year but within					
five years		0	0	2,988,091	2,863,200
Due after five years but within					
ten years		<u>0</u>	<u>0</u>	<u>2,000,000</u>	<u>1,826,600</u>
		<u>0</u>	<u>0</u>	<u>4,988,091</u>	<u>4,689,800</u>
	US\$	<u>8,737,645</u>	<u>8,546,295</u>	<u>19,155,737</u>	<u>18,998,002</u>

(9) Loans

The composition of loans as December 31, 2008 and 2007 is as follows:

		<u>2008</u>	<u>2007</u>
Commercial, financial and industrial	US\$	1,587,078,208	1,398,760,868
Mortgage and real estate		1,269,553,794	1,066,118,678
Credit card		1,274,836,241	1,187,112,013
Vehicles		410,439,552	342,244,325
Other personal		346,754,075	324,587,294
Secured by cash		123,631,632	137,242,463
Lease financing		112,992,057	178,629,276
Overdrafts		<u>35,200,861</u>	<u>38,849,780</u>
	US\$	<u>5,160,486,420</u>	<u>4,673,544,697</u>

At December 31, 2008 and 2007, the Bank had loans for US\$269,237,608 and US\$283,868,587, respectively, pledged to secure borrowings and other credit facilities.

At December 31, 2008 and 2007, the Bank's non-accrual loans, including impaired loans, amounted to US\$109,498,046 and US\$84,629,438, respectively. The Bank has no commitments to lend additional funds to borrowers whose loans are classified as non-accruing.

Other real estate owned assets included in other assets amounted to US\$14,749,057 and US\$11,774,980 at December 31, 2008 and 2007, respectively.

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

		<u>2008</u>	<u>2007</u>
Impaired loans, all with a valuation allowance	US\$	33,821,420	23,658,065
Valuation allowance	US\$	9,140,207	9,108,564
Average recorded investment	US\$	39,658,927	22,116,873
Interest income recognized on a cash basis	US\$	2,185,695	2,368,526

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

(10) Allowance for Loan Losses

The changes in the allowance for loan losses during the years ended December 31, 2008 and 2007 are presented below:

		<u>2008</u>	<u>2007</u>
Balance, beginning of year	US\$	127,780,918	69,808,464
Provision for loan losses		118,619,842	88,764,845
Balance from acquired entities at purchase date		0	26,295,681
Charge-offs		(136,821,240)	(75,080,817)
Recoveries		23,297,463	16,866,651
Foreign currency translation		(9,341,034)	1,126,094
Balance, end of year	US\$	<u>123,535,949</u>	<u>127,780,918</u>

(11) Property and Equipment

Property and equipment as of December 31, 2008 and 2007 are detailed as follows:

		<u>2008</u>	<u>2007</u>
Land	US\$	20,460,046	19,737,308
Buildings and improvements		74,164,363	68,169,623
Equipment, furniture and vehicles		212,798,792	182,465,148
Constructions in progress		8,686,431	5,135,309
		316,109,632	275,507,388
Less: accumulated depreciation and amortization		(139,425,276)	(113,931,497)
	US\$	<u>176,684,356</u>	<u>161,575,891</u>

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(12) Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the years ended December 31, 2008 and 2007, are as follows:

		<u>2008</u>	<u>2007</u>
Goodwill:			
Balance, beginning of the year	US\$	78,470,167	2,632,748
Goodwill acquired during the year		0	75,719,314
Purchase accounting adjustments		7,818,296	(199,934)
Foreign exchange		<u>(899,375)</u>	<u>318,039</u>
Balance, end of the year	US\$	<u>85,389,088</u>	<u>78,470,167</u>

The gross carrying amount and accumulated amortization for each of the Bank's identified intangible assets subject to amortization at December 31, 2008 and 2007, are presented below:

		<u>2008</u>		<u>2007</u>	
		<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Core deposit intangible	US\$	12,034,978	2,318,417	10,980,000	787,220
Purchased credit card relationships		7,992,127	2,100,338	1,400,000	29,400
Merchant relationships		739,999	316,190	230,000	115,000
Trade name		<u>41,570</u>	<u>24,942</u>	<u>41,570</u>	<u>16,628</u>
	US\$	<u>20,808,674</u>	<u>4,759,887</u>	<u>12,651,570</u>	<u>948,248</u>

During 2008, in the purchase of minority interests, intangible assets were acquired for US\$8.2 million. Of that amount, US\$1.1 million, US\$6.6 million and US\$0.5 million were assigned to core deposit intangible, credit card relationships and merchant relationships, respectively. These intangible assets, were assigned weighted - average useful lives of 17, 13 and 16 years, respectively. None of these intangibles is deductible for tax purposes.

Amortization expense related to identified intangible assets for the year ended December 31, 2008 and 2007, is presented below:

		<u>2008</u>	<u>2007</u>
Core deposit intangible	US\$	1,531,197	787,220
Purchased credit card relationships		2,070,938	29,400
Merchant relationships		201,190	115,000
Trade name		<u>8,314</u>	<u>16,628</u>
	US\$	<u>3,811,639</u>	<u>948,248</u>

Amortization expense related to identified intangible assets in each of the five years subsequent to December 31, 2008, is as follows: 2009: US\$3,412,171, 2010: US\$2,418,133, 2011: US\$1,887,428, 2012: US\$1,497,749, 2013: US\$1,235,244 and 2014 and thereafter: US\$5,598,062.

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(13) Deposits

As of December 31, 2008 and 2007, the Bank held US\$1,801,825,796 and US\$1,471,108,452 respectively, of time deposits with principal balances of US\$100,000 and over.

Scheduled maturities of time deposits at December 31, 2008 are as follows:

Year ending December 31,

2009	US\$ 1,977,332,177
2010	59,390,274
2011	15,017,062
2012	7,232,820
2013	697,483
Thereafter	<u>4,894,646</u>
	US\$ <u>2,064,564,462</u>

(14) 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, 2008 and 2007:

		<u>2008</u>	<u>2007</u>
Carrying amount at end of year	US\$	<u>30,488,158</u>	<u>49,201,840</u>
Maximum amount outstanding at any month end	US\$	<u>52,500,255</u>	<u>49,201,840</u>
Average amount outstanding during the year	US\$	<u>28,139,914</u>	<u>40,503,923</u>
Weighted average interest rate for the year		<u>2.03%</u>	<u>7.63%</u>
Weighted average interest rate at end of year		<u>5.17%</u>	<u>7.69%</u>

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(15) Borrowings

Borrowings at December 31, 2008 and 2007 consist of the following:

	2008		
	<u>Interest Rate</u>	<u>Maturity Various Through</u>	<u>Carrying Amount</u>
Payable in U. S. dollars:			
Fixed rate	1.96% to 18.00%	2025	US\$ 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
			US\$ <u>1,409,153,132</u>
	2007		
	<u>Interest Rate</u>	<u>Maturity Various Through</u>	<u>Carrying Amount</u>
Payable in U.S. dollars:			
Fixed rate	3.23% to 18.00%	2025	US\$ 85,720,798
Floating rate	3.75% to 13.25%	2017	810,769,117
Payable in Mexican Pesos (Mexico):			
Floating rate	9.50%	2010	88,955,733
Payable in Quetzals (Guatemala):			
Floating rate	7.25% to 8.50%	2008	40,140,028
Payable in Lempiras (Honduras):			
Fixed rate	18.00% to 24.00%	2008	206,907
Floating rate	5.00% to 15.00%	2037	51,061,610
Payable in Cordobas (Nicaragua):			
Fixed rate	5.00% to 6.53%	2019	852,389
Payable in Colones (Costa Rica):			
Fixed rate	9.00%	2008	1,735,797
Floating rate	5.60% to 8.00%	2010	43,661,208
			US\$ <u>1,123,103,587</u>

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As of December 31, 2008 and 2007, the amount outstanding under the CIC Receivables Master Trust, a consolidated special purpose vehicle, aggregated US\$400,000,000 and US\$288,504,812, 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 (5.28% and 6.63%, including surety premiums, at December 31, 2008 and 2007, 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, 2008, the certificates currently have a weighted - average duration of 5.1355 years.

At December 31, 2008 and 2007, secured borrowings amounted to US\$679,025,751 and US\$601,758,968, respectively.

At December 31, 2008, the Bank had approximately US\$284,374,853 available in unused lines of credit that expire through 2012.

Scheduled maturities of borrowings at December 31, 2008, are as follows:

Year ending December 31,

2009	US\$	544,854,105
2010		177,148,704
2011		209,603,807
2012		74,409,419
2013		76,668,303
Thereafter		<u>326,468,794</u>
	US\$	<u>1,409,153,132</u>

(16) Other Borrowed Funds

Carrying amount of other borrowed funds at December 31, 2008 and 2007 consist of certificates of indebtedness 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>2008</u> <u>Interest Rate</u>		<u>2008</u>	<u>2007</u>
U.S. dollars	4.88% to 6.72%	US\$	84,646,234	69,888,577
Quetzals	7.02% to 9.75%		57,323,657	52,973,486
Colones	4.85% to 5.50%		<u>75,285,118</u>	<u>90,614,261</u>
		US\$	<u>217,255,009</u>	<u>213,476,324</u>

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Scheduled maturities of other borrowed funds at December 31, 2008 are as follows:

Year ending December 31,

2009		US\$	91,572,231
2010			57,360,753
2011			8,500,000
2012			34,822,025
2013			<u>25,000,000</u>
		US\$	<u>217,255,009</u>

At December 31, 2008 and 2007, the Bank had loans receivable for US\$105,999,655 and US\$84,570,469, respectively, pledged to secure these other borrowed funds.

(17) Other Operating Expenses

The following table sets forth the components of other operating expenses for the years ended December 31, 2008 and 2007:

		<u>2008</u>	<u>2007</u>
Advertising	US\$	23,352,603	22,045,269
Communications		18,396,155	16,242,070
Office supplies		9,126,001	7,887,697
Maintenance		15,491,704	14,363,588
Credit card franchise and authorization fees		16,250,049	13,633,411
Taxes other than income tax		8,512,181	8,371,903
Processing fees		5,264,559	4,911,921
Deposit insurance		3,755,191	2,876,044
Security		5,618,421	4,052,779
Armored services		5,853,460	4,218,177
Travel expenses		5,470,708	5,220,973
Other		<u>61,411,728</u>	<u>45,835,934</u>
	US\$	<u>178,502,760</u>	<u>149,659,766</u>

(18) Income Taxes

Income tax expense consists of:

		<u>2008</u>	<u>2007</u>
Current	US\$	50,408,300	44,179,154
Deferred		<u>5,594,579</u>	<u>(8,264,567)</u>
	US\$	<u>56,002,879</u>	<u>35,914,587</u>

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Income tax expense was US\$56,002,879 and US\$35,914,587 for the years ended December 31, 2008 and 2007, 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>2008</u>	<u>2007</u>
Computed "expected" tax expense	US\$	90,431,027	68,697,035
Increase (decrease) in income taxes resulting from:			
Exempt and foreign source income		(28,368,214)	(30,839,676)
Tax incentives		(550,161)	(525,426)
Change in allowance		79,227	(4,478,631)
Nondeductible expenses		33,588,660	10,934,509
Foreign income taxes rate differential		<u>(39,177,660)</u>	<u>(7,873,224)</u>
Income tax expense	US\$	<u>56,002,879</u>	<u>35,914,587</u>

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, 2008 and 2007 are as follows:

		<u>2008</u>	<u>2007</u>
Deferred tax assets:			
Net operating tax loss carryforwards	US\$	395,642	730,001
Allowance for loan losses		12,284,298	14,422,163
Deferred loan origination fees and costs		1,401,359	383,482
Accrued expenses		1,286,689	2,394,190
Unrealized loss on securities available for sale		<u>888,795</u>	<u>0</u>
Gross deferred tax assets		16,256,783	17,929,836
Less-valuation allowance		<u>(126,803)</u>	<u>(47,576)</u>
Net deferred tax assets		<u>16,129,980</u>	<u>17,882,260</u>
Deferred tax liabilities:			
Net premises and equipment depreciation difference		(6,463,268)	(4,481,306)
Organizational costs		0	(375,307)
Deferred commissions and accrued interest receivable		(4,862,816)	(1,777,142)
Foreclosed assets		(259,730)	0
Unrealized gains on securities available for sale		<u>0</u>	<u>(120,756)</u>
Total deferred tax liabilities		<u>(11,585,814)</u>	<u>(6,754,511)</u>
Net deferred tax assets	US\$	<u>4,544,166</u>	<u>11,127,749</u>

The valuation allowance for deferred tax assets as of December 31, 2008 and 2007 was US\$126,803 and US\$47,576, respectively.

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The net change in the total valuation allowance for the years ended December 31, 2008 and 2007 was an increase of US\$79,227 and a decrease of US\$4,478,631, 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.

At December 31, 2008, subsidiaries of the Bank have incurred in net operating tax loss carryforwards of US\$1,080,754, which are available to offset future taxable income of the applicable subsidiaries, if any, through 2028.

In July 2006, the FASB issued Interpretation FIN 48, "Accounting for Uncertainty in Income Taxes," which attempts to set out a consistent framework to determine the appropriate level of tax reserves for uncertain tax positions. The Bank elected to defer the application of the Interpretation until year 2009, following the guidance of the FASB Staff Position FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises". The Bank has determined that there are no uncertain, significant tax positions that must be recognized on the consolidated financial statements.

(19) 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, 2008 and 2007:

		<u>Foreign Currency Translation</u>	<u>Unrealized Net Gain (Loss) on Securities</u>	<u>Accumulated Other Comprehensive Loss</u>
Balances as of December 31, 2006	US\$	(60,303,957)	667,162	(59,636,795)
Current year changes		<u>3,918,637</u>	<u>218,724</u>	<u>4,137,361</u>
Balances as of December 31, 2007		(56,385,320)	885,886	(55,499,434)
Current year changes		<u>(30,647,519)</u>	<u>(7,430,441)</u>	<u>(38,077,960)</u>
Balances as of December 31, 2008	US\$	<u>(87,032,839)</u>	<u>(6,544,555)</u>	<u>(93,577,394)</u>

The following table presents details of other comprehensive income (loss) for the years ended December 31, 2008 and 2007:

		<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	US\$	(30,647,519)	0	(30,647,519)
Unrealized gains (loss) on securities:				
Unrealized net holding losses on securities		(11,192,360)	2,315,348	(8,877,012)
Less: reclassification adjustment to earnings for realized net losses (gains)		<u>1,961,023</u>	<u>(514,452)</u>	<u>1,446,571</u>
Net current year changes		<u>(9,231,337)</u>	<u>1,800,896</u>	<u>(7,430,441)</u>
Other comprehensive loss, for the year	US\$	<u>39,878,856</u>	<u>1,800,896</u>	<u>(38,077,960)</u>

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		December 31, 2007		
		<u>Pre-tax Amount</u>	<u>Income tax (Expense) Benefit</u>	<u>After-tax Amount</u>
Foreign currency translation adjustment	US\$	3,918,637	0	3,918,637
Unrealized gains (loss) on securities:				
Unrealized net holding losses on securities		(2,004,539)	857,790	(1,146,749)
Less: reclassification adjustment to earnings for realized net losses (gains)		2,019,235	(653,762)	1,365,473
Net current year changes		14,696	204,028	218,724
Other comprehensive income for the year	US\$	3,933,333	204,028	4,137,361

(20) Off-Balance Sheet Financial Instruments

The Company 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 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, 2008 and 2007, the Bank had not entered into non-cancelable commitments to extend credit.

As of December 31, 2008 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 US\$127 million to US\$1,399 million (US\$150 million to US\$1,208 million in 2007). The unused portion of the total amount available in each country, aggregated approximately from US\$80 million to US\$1,058 million (US\$93 million to US\$934 million in 2007). 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.

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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, 2008 and 2007 outstanding letters of credit and financial guarantees are as follows:

		<u>2008</u>	<u>2007</u>
Standby letters of credit	US\$	13,280,023	20,247,079
Commercial letters of credit		47,652,697	45,597,110
Financial guarantees		<u>215,256,715</u>	<u>179,113,306</u>
	US\$	<u>276,189,435</u>	<u>244,957,495</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, 2008 and 2007, are detailed as follows:

		<u>2008</u>	<u>2007</u>
Up to 1 year	US\$	190,163,410	169,774,735
Over 1 year		<u>38,373,328</u>	<u>29,585,650</u>
	US\$	<u>228,563,738</u>	<u>199,360,385</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, 2008 and 2007, amounted to US\$46,112,020 and US\$22,425,486, respectively.

The fair value of the letters of credit and guarantees as of December 31, 2008 and 2007 are of US\$1,669,678 and US\$1,606,424, respectively.

Other Commitments

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

Minimum lease payments under this operating lease due in each of the five years subsequent to December 31, 2008, are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Thereafter</u>	<u>Total</u>
US\$	1,393,638	1,399,626	1,405,714	1,411,907	1,418,210	6,947,590	13,976,685

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(21) Derivative Financial Instruments

The accounting of derivatives financial instruments requires that these financial instruments be recorded on the consolidated balance sheets at their fair value. In the normal course of business, the Bank uses interest rate derivatives primarily for economic hedging purposes in its balance sheet management activities.

Types of Derivative Instruments

Derivative instruments negotiated by the Bank are executed mainly over-the-counter (OTC). These contracts are executed between two counterparties that negotiate specific agreement terms, including notional amount, exercise price and maturity.

For purposes of asset/liability activities, the Bank uses the following instruments:

Interest rate swaps are contracts in which a series of interest rate flows, which involve fixed for floating interest payments or vice-versa.

An interest rate cap is a contract that guarantees a maximum level of LIBOR. Caps are also known as ceilings. In return for making this guarantee, the buyer pays a premium. Caps generally guarantee a maximum level of either 3 or 6 month LIBOR or whatever the prevailing floating rate index is in the particular market. The Bank's maximum loss on a cap transaction is the premium.

The Bank has designated these derivative instruments as freestanding derivatives.

The following table provides quantitative information on derivative financial instruments outstanding at December 31, 2008 and 2007.

		2008			2007		
		Notional Amount	Fair Value		Notional Amount	Fair Value	
			Assets	Liability		Assets	Liability
Freestanding:							
Interest rate swaps	US\$	50,000,000	0	616,073	25,000,000	0	822,491
Interest rate caps		<u>0</u>	<u>0</u>	<u>0</u>	<u>82,000,000</u>	<u>244,882</u>	<u>0</u>
	US\$	<u>50,000,000</u>	<u>0</u>	<u>616,073</u>	<u>107,000,000</u>	<u>244,882</u>	<u>822,491</u>

(22) 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 banks 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.

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(23) Disclosures about Fair Value of Financial Instruments

As discussed in Note 2 (m), "Summary of Significant Accounting Policies," the Bank adopted the fair value financial accounting standards SFAS No. 157 and SFAS No. 159 as of January 1, 2008. In certain circumstances, fair value enables a Bank to more accurately align its financial performance with the market value of actively traded or hedged assets or liabilities. Fair value enables the Bank to mitigate the non-economic earnings volatility caused from financial assets and financial liabilities being carried at different bases of accounting, as well as to more accurately portray the active and dynamic management of Bank's balance sheet.

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

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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, foreign-exchange rates, 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>Year ended December 31, 2008</i>		Level 1	Level 2	Level 3	Net Balance
Assets					
Trading securities	US\$	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
Total assets	US\$	399,639,494	19,378,908	43,020,107	462,038,509
Liabilities					
Derivatives	US\$	0	616,073	0	616,073
Total liabilities	US\$	0	616,073	0	616,073

The table below includes a rollforward of the balance sheet amounts for the year ended December 31, 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.

		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)
Assets							
Loans	US\$	30,235,069	1,498,058	0	11,286,980	43,020,107	3,090,253

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Fair-Value Elections

In February 2007, the FASB issued SFAS 159, which is effective for fiscal years beginning after November 15, 2007, with early adoption permitted. SFAS 159 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments, and written loan commitments not previously carried at fair value.

The Bank elected to record certain fixed-rate mortgage loans to mitigate the volatility in earnings that had been created by recording financial instruments and the related risk management instruments on a different basis of accounting and to eliminate the operational complexities of applying hedge accounting. The following table provides detail regarding the Bank's elections by consolidated balance sheet line as of January 1, 2008.

Impact on Retained Earnings of certain Fair Value Elections in accordance with SFAS 159

Detailed below are the December 31, 2007 carrying values prior to adoption of SFAS 159, the transition adjustments booked to opening retained earnings and the fair values (that is, the carrying values at January 1, 2008 after adoption) for those items that were selected for fair-value option accounting and that had an impact on retained earnings. These entries include certain fixed-rate mortgage loans, for which the Bank maintained economic coverage by means of interest rate swaps.

		Balance as of December 31, 2007	Gains and Losses, Net upon Adoption		Balance as of January 1, 2008
Impact of adoption of fair value options under SFAS 159					
Mortgage loans (with no tax effect)	US\$	28,642,874	1,592,195		30,235,069
Accumulated impact of adoption of SFAS 159 recorded in retained earnings			US\$	1,592,195	

The following table presents, as December 31, 2008, those positions selected for fair-value accounting in accordance with SFAS 159, as well the changes in fair value for the year then ended:

Year ended December 31, 2008		Aggregated fair value as of December 31, 2008	Aggregate unpaid principal balance as of December 31, 2008	Fair value carrying amount over/(under) unpaid principal
Mortgage Loans	US\$	43,020,107	39,929,854	3,090,253

Interest income on the fixed-rate mortgage payments are presented separately from other changes in their fair value. The amount presented as interest income is determined by applying the effective interest rate method. Other changes in fair value of these loans are recognized as other income. For the year ending on December 31, 2008, the Bank recorded US\$2,251,264 in interest income and US\$1,498,058 in other income on the fixed-rate loans for which they chose the fair value option.

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The fair value of these mortgage loans is estimated using present cash flow models that consider, among other factors, certain forward yield rates, a country-risk premium that is derived from the comparison between the sovereign bond rate and the LIBOR three-month rate, and prepayment speed and impairment parameters applied to the future cash flow projections.

Fair Value of Financial Instruments

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments" (SFAS 107), requires the disclosure of the estimated fair value of financial instruments including those financial instruments for which the Bank did not elect the fair value option. 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 SFAS 107 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, 2008 and 2007 is not carried at fair value in its entirety on the Bank's consolidated balance sheet.

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' liabilities under acceptances and acceptances outstanding, are valued at their carrying amounts reported in the consolidated balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments.
- (b) *Securities held to maturity*: are predominantly 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. 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 receivables incorporate only the effects of interest rate changes,

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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 20 for fair value information.

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Information about the fair value of on-balance sheet financial instruments at December 31, 2008 and 2007, is presented below.

	<u>2008</u>		<u>2007</u>	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets				
Cash and cash equivalents	US\$ 1,546,054,808	1,546,054,808	1,196,468,020	1,196,468,020
Interest-bearing deposits	10,388,735	10,388,735	21,394,356	21,394,356
Securities held to maturity	8,737,645	8,546,295	19,155,737	18,998,002
Loans	5,012,890,735	4,991,610,439	4,520,686,233	4,521,702,816
Customers' liability under acceptances outstanding	9,481,876	9,481,876	3,079,401	3,079,401
Financial Liabilities				
Deposits	US\$ 4,780,676,417	4,783,984,722	4,193,520,063	4,196,505,031
Securities sold under agreements to repurchase	30,488,158	30,488,158	49,201,840	49,201,840
Borrowings	1,409,153,132	1,405,045,031	1,123,103,587	1,120,048,703
Other borrowed funds	217,255,009	215,429,157	213,476,324	212,905,391
Acceptances outstanding	9,481,876	9,481,876	3,079,401	3,079,401

(24) Administration of Trust Contracts and Asset Management

As of December 31, 2008 and 2007, several of the Bank's subsidiaries administer and are custodian of assets which amounted to approximately US\$793,113,939 and US\$786,488,113, respectively.

(25) 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, 2008 and 2007 and for the years then ended:

	<u>2008</u>	<u>2007</u>
Assets:		
Due from banks	US\$ 40,329,250	42,480,800
Interest-bearing deposits	7,010,000	6,139,851
Securities available for sale	8,038,681	9,296,385
Loans receivable	76,926,351	92,088,255
Accrued interest and other receivables	1,120,844	890,611
	US\$ <u>133,425,126</u>	<u>150,895,902</u>
Liabilities:		
Demand deposits	42,401,016	46,447,518
Time deposits	104,859,630	66,203,452
Borrowings	75,208,139	98,748,043
Accrued interest and other liabilities	1,996,214	1,522,159
	US\$ <u>224,464,999</u>	<u>212,921,172</u>
Interest and other operating income	US\$ <u>6,837,919</u>	<u>8,164,924</u>
Interest and other operating expenses	US\$ <u>5,017,144</u>	<u>7,594,985</u>

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(26) 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.

(27) 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. In the opinion of management, at December 31, 2008 and 2007, the Bank's banking operations were in compliance with such regulatory requirements.