

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

Consolidated Financial Statements

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

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

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

Consolidated Balance Sheets

December 31, 2010 and 2009

(In U.S. Dollars)

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 1,921,288,472	1,657,635,273
Interest-bearing deposits	28,857,982	66,247,692
Trading securities	16,157,405	10,476,261
Securities available for sale	658,110,446	504,371,063
Securities held to maturity	0	7,907,992
Loans at fair value	35,464,979	40,384,601
Loans	5,320,592,271	5,032,387,128
Less:		
Allowance for loan losses	87,568,280	105,169,337
Unearned income and deferred loan fees and costs	34,791,728	28,738,714
Loans, net	<u>5,198,232,263</u>	<u>4,898,479,077</u>
Property and equipment, net	188,009,173	182,651,091
Investments in unconsolidated entities	1,120,548	1,351,767
Customers' liability under acceptances outstanding	4,832,817	3,010,062
Accrued interest receivable	48,521,900	48,645,103
Other accounts receivable	103,711,460	72,294,071
Goodwill	86,125,483	85,252,924
Intangible assets	3,367,699	12,841,841
Other assets	114,864,015	89,373,568
Total assets	<u>\$ 8,408,664,642</u>	<u>7,680,922,386</u>
Liabilities and Equity		
Deposits:		
Demand non-interest-bearing	\$ 332,939,639	317,579,075
Demand interest-bearing	2,398,399,948	1,865,302,231
Savings	1,130,324,252	963,609,721
Time deposits	2,171,203,914	2,202,264,884
Total deposits	<u>6,032,867,753</u>	<u>5,348,755,911</u>
Securities sold under agreements to repurchase	41,734,358	35,313,786
Borrowings	916,824,746	979,172,002
Other borrowed funds	158,347,700	233,410,074
Acceptances outstanding	4,832,817	3,010,062
Accrued interest payable	22,756,994	27,017,664
Other liabilities	301,370,456	243,712,938
Total liabilities	<u>7,478,734,824</u>	<u>6,870,392,437</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	893,958,501	795,727,266
Accumulated other comprehensive loss	(78,093,518)	(99,215,217)
Total controlling stockholder's equity	<u>929,430,237</u>	<u>810,077,303</u>
Noncontrolling interest	499,581	452,646
Total equity	<u>929,929,818</u>	<u>810,529,949</u>
Total liabilities and equity	<u>\$ 8,408,664,642</u>	<u>7,680,922,386</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, 2010 and 2009

(In U.S. Dollars)

	<u>2010</u>	<u>2009</u>
Interest income:		
Loans	\$ 706,065,085	717,304,900
Interest-bearing deposits	10,395,828	14,825,626
Trading securities	27,369	220,766
Securities available for sale	21,715,109	19,966,539
Securities held to maturity	691,160	313,277
Total interest income	<u>738,894,551</u>	<u>752,631,108</u>
Interest expense:		
Deposits	147,641,815	184,301,236
Securities sold under agreements to repurchase	2,775,250	3,472,998
Borrowings and other borrowed funds	47,877,196	73,017,196
Total interest expense	<u>198,294,261</u>	<u>260,791,430</u>
Net interest income before provision for loan losses	540,600,290	491,839,678
Provision for loan losses	87,383,541	125,076,426
Net interest income after provision for loan losses	<u>453,216,749</u>	<u>366,763,252</u>
Other income (expenses):		
Service charges	172,928,950	181,676,834
Commissions and other fees, net	81,945,562	70,435,333
Foreign currency gains, net	25,195,214	48,904,680
Net gain on trading securities	232,706	1,159,163
Net gain on sale of securities available for sale	11,285,540	9,143,904
Other income	20,810,517	25,481,356
Total other income	<u>312,398,489</u>	<u>336,801,270</u>
Operating expenses:		
Salaries and employee benefits	231,437,512	209,687,848
Depreciation and amortization	39,588,972	34,846,178
Administrative expenses	22,990,438	23,061,358
Occupancy and related expenses	40,094,483	36,592,939
Other operating expenses	220,147,336	189,560,999
Total operating expenses	<u>554,258,741</u>	<u>493,749,322</u>
Income before income tax expense	211,356,497	209,815,200
Income tax expense	60,033,300	60,222,391
Net income	<u>151,323,197</u>	<u>149,592,809</u>
Less: net income attributable to noncontrolling interest	91,962	93,834
Net income attributable to controlling stockholder	<u>\$ 151,231,235</u>	<u>149,498,975</u>

See accompanying notes to consolidated financial statements.

BAC INTERNATIONAL BANK, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity and Comprehensive Income

For the years ended December 31, 2010 and 2009

(In U.S. Dollars)

	Controlling Equity of the Controlling Company				Total Controlling Equity	Noncontrolling Interest	Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss			
Balance as of December 31, 2008	\$ 78,947,000	34,618,254	756,056,517	(93,577,394)	776,044,377	418,092	776,462,469
Net income	0	0	149,498,975	0	149,498,975	93,834	149,592,809
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
Dividends	0	0	(109,828,226)	0	(109,828,226)	(44,005)	(109,872,231)
Balance as of December 31, 2009	78,947,000	34,618,254	795,727,266	(99,215,217)	810,077,303	452,646	810,529,949
Net income	0	0	151,231,235	0	151,231,235	91,962	151,323,197
Foreign currency translation	0	0	0	28,850,898	28,850,898	(22,840)	28,828,058
Changes in unrealized gain (loss) on:							
Securities available for sale, net of tax	0	0	0	(4,124,870)	(4,124,870)	337	(4,124,533)
Cash flow hedging derivatives	0	0	0	(3,604,329)	(3,604,329)	0	(3,604,329)
Comprehensive income					172,352,934	69,459	172,422,393
Dividends	0	0	(53,000,000)	0	(53,000,000)	(22,524)	(53,022,524)
Balance as of December 31, 2010	\$ 78,947,000	34,618,254	893,958,501	(78,093,518)	929,430,237	499,581	929,929,818

See accompanying notes to consolidated financial statements .

Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009

(In U.S. Dollars)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net income	\$ 151,323,197	149,592,809
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	87,383,541	125,076,426
Net loss on impairment of foreclosed assets	3,997,057	695,937
Impairment loss on intangible assets	7,047,695	0
Release of provision for unfunded commitments	(12,560)	(484,930)
Release of provision for claims receivable for unreturned securities	(190,611)	(264,179)
Depreciation and amortization	39,588,972	34,846,178
Amortization of deferred loan fees and costs	(604,357)	(107,314)
(Loss) gain on derivative financial instruments	3,496,232	(814,519)
Net (increase) decrease in trading securities	(4,234,499)	6,906,944
Gain (loss) on sale of unconsolidated entities	(1,211,586)	172,678
Net gain on trading securities	(11,518,246)	(10,303,067)
Net (gain) loss on sale of property and equipment	(891,054)	41,020
Deferred income tax expense	873,049	12,385,733
Decrease (increase) in accrued interest receivable	1,275,729	(2,171,066)
Increase in other accounts receivable	(31,045,856)	(4,672,637)
Increase in other assets	(23,364,537)	(12,154,047)
Decrease in accrued interest payable	(6,250,969)	(1,307,234)
Increase (decrease) in other liabilities	42,812,133	(27,841,994)
Net cash provided by operating activities	<u>258,473,330</u>	<u>269,596,738</u>
Cash flows from investing activities:		
Net decrease (increase) in deposits placed with original maturity over three months	5,180,400	(25,209,915)
Proceeds from sale of securities available for sale	521,706,422	638,593,206
Maturities, prepayment and calls of securities available for sale	1,296,255,677	2,049,716,098
Purchases of securities available for sale	(1,941,892,884)	(2,765,033,699)
Maturities, prepayment and calls of securities held to maturity	522,863	1,012,643
Purchases of securities held to maturity	0	(296,797)
Proceeds from sale of investment in unconsolidated entities	1,304,215	568,963
Advanced to unconsolidated entities, net of dividends received	(45,000)	0
Net increase in loans	(244,049,894)	(6,710,275)
Purchases of property and equipment	(52,088,925)	(43,168,021)
Proceeds from sale of property and equipment	4,268,871	2,738,151
Net cash used in investing activities	<u>(408,838,255)</u>	<u>(147,789,646)</u>
Cash flows from financing activities:		
Net proceeds from deposits received	544,576,385	600,379,636
Net (repayment) proceeds from other borrowed funds	(30,847,778)	14,590,954
Net (decrease) increase in securities sold under agreements to repurchase	(10,843,015)	5,193,481
Proceeds from borrowings	506,763,499	5,120,040,680
Repayment of borrowings	(580,705,231)	(5,611,016,133)
Dividends paid	(53,022,524)	(109,872,231)
Net cash provided by financing activities	<u>375,921,336</u>	<u>19,316,387</u>
Effect of exchange rate fluctuations on cash held	<u>38,096,788</u>	<u>(29,543,014)</u>
Net increase in cash and cash equivalents	263,653,199	111,580,465
Cash and cash equivalents at beginning of year	1,657,635,273	1,546,054,808
Cash and cash equivalents at end of year	<u>\$ 1,921,288,472</u>	<u>1,657,635,273</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 2010 and 2009

(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). BAC International Bank, Inc. provides, directly and through its wholly owned subsidiaries, Credomatic International Corporation (CIC), BAC International Bank (Grand Cayman) (BAC Cayman), BAC Bahamas Bank Ltd., 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.

The banking operations in the Republic of Panama are regulated and supervised by the Superintendency of Banks of the Republic of Panama, according to provisions established by Law Decree No. 52, dated April 30, 2008, that adopts the single text of Law Decree No. 9 of February 26, 1998, as amended by Legislative Decree No. 2 dated February 22, 2008, which establishes the banking regime of the Republic of Panama and creates the Superintendency of Banks and the rules that govern it.

(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). These consolidated financial statements are expressed in U.S. dollars (\$).

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 where it has significant influence but not a financial interest of control are accounted for under the equity method and the pro rata share of their income (loss) is included in other income, while investments in companies where it has not significant influence are accounted for under the cost method; income is recognized when dividends are received.

According to the Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 810 (FASB ASC 810), "Consolidation", the Bank classifies noncontrolling interest as part of consolidated net income and includes the accumulated amount of noncontrolling interest as part of equity.

(b) Use of Estimates

For the preparation of these consolidated financial statements in conformity with US GAAP, management has made a number of estimates and assumptions relating to the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. 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 contingencies and income tax.

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(c) *Cash and Cash Equivalents*

The Bank considers all highly liquid investments with a maturity of 90 days or less from their acquisition as cash equivalents. Cash and cash equivalents include cash, due from banks, certain securities and term interest-bearing deposits with original maturities of 90 days 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:

- 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.

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- 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 interest accrual 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 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.

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Notes to Consolidated Financial Statements

(g) *Allowance for Loan Losses and Reserve for Off – Balance Sheet Commitments*

The allowance for loan losses and the reserve for off-balance sheet commitments represent the amounts, which, in management's judgment, will be adequate to absorb inherent losses of the existing loan portfolio and off-balance sheet 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 off-balance sheet 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 off-balance sheet 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 results 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 off-balance sheet commitments, such as letters of credit and financial guarantees, and binding unfunded loan commitments. Off-balance sheet 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 off-balance sheet commitments.

The allowance for loan losses attributed to loans acquired with credit deterioration, reflects only the losses attributed after the acquisition – that is, the present value of estimated future cash flows expected to be collected at the acquisition date. Allowances for loan losses are established subsequent to the acquisition of such loans.

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The allowance for loan losses relating to the loan portfolio, and the reserve for off-balance sheet 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 off-balance sheet 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. Costs related to maintenance of those assets are expensed as incurred.

(i) *Transfer of Financial Assets*

Transfer of financial assets (all or a portion of a financial asset) in which the Bank surrenders control over these financial assets is accounted for as a sale to the extent that consideration, other than beneficial interests in the transferred assets, is received in exchange. 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 to pledge or exchange the transferred assets, and (3) the Bank, its subsidiaries or agents do not maintain effective control over the transferred assets.

(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 flown hours
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 shorter.

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 is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill and acquired intangible assets with indefinite useful lives are not amortized but are tested for impairment annually. Acquired intangible assets with definite useful life are amortized over useful lives in a form that approximates the estimated decline in the economic value of the intangible asset.

(l) *Impairment*

The Bank evaluates the long-term assets recoverability, such as property and equipment, and acquired intangible assets when there are events or changes in the circumstances that indicate that the book value of an asset may not be recovered. These circumstances include, but are not limited to (1) a significant decrease in the asset market value; (2) a significant adverse change in the use of the asset; and (3) a significant accumulated cost in excess of the amounts originally estimated at the acquisition date of the asset. The Bank compares the book value of the asset against the undiscounted estimated cash flows associated to such asset or group of assets. If the sum of the expected net cash flows is less than the book value of the asset or group of assets that are being evaluated, an impairment loss is recognized. An impairment loss is calculated as the amount for which the book value of the asset exceeds its fair value. The fair value is established using valuation techniques, including the expected discounted cash flows values.

The Bank evaluates the book value of the goodwill during the fourth quarter of each year and when any event or a change of circumstances occurred that indicate the probability that the fair value of the reporting unit is less than its book value. Those circumstances include, but are not limited to (1) a significant adverse change in the legal business environment, (2) unexpected competition, or (3) an action or adverse assessment by regulator. When evaluating the goodwill impairment, the Bank initially compares the fair value against the book value of the reporting unit, including goodwill. The reporting unit fair value is estimated using a combination of undiscounted future cash flows and/or a market method, using comparative information from similar entities. If the book value of the reporting unit exceeds its fair value, there is an indication of goodwill impairment for the reporting unit and thus, a second test must be performed to determine if impairment exists. Loss impairment is calculated by comparing the implicit fair value of the reporting unit with its book value. While calculating the implicit fair value of the reporting unit, the fair value of the reporting unit is assigned to all other assets and liabilities of the unit, based on their respective fair value, and the residual fair value is the implicit fair value of the goodwill. An impairment loss is recognized when the book value of goodwill exceeds its implicit fair value.

(m) *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.

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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.

(n) *Fair Value*

The Bank determines fair value for financial instruments and non-financial instruments on a recurring and non-recurring basis according to FASB ASC 820 "*Fair Value Measurements and Disclosures*", that establishes a new framework for measuring fair value and includes specific disclosures. Depending on the nature of the asset or liability, the Bank uses various valuation techniques and assumptions when estimating fair value.

The three levels of the fair value hierarchy are described below:

- 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.

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(o) *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 recognizes all derivative instruments as either assets or liabilities in the consolidated balance sheets at their respective fair values. The accounting for changes in fair value (i.e. gains or losses) of a derivative instrument 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.

The Bank discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting cash flows attributable to the hedged risk; the derivative expires or is sold, terminated, or exercised; the cash flow hedge is de-designated because a forecasted transaction is not probable of occurring, or management determines to remove the designation of the cash flow hedge.

(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

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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.

Management evaluates the realizability of the deferred tax assets on a regular basis and assesses the need for a valuation allowance. A valuation allowance is established when management believes that it is more likely than not that some portion of its deferred tax assets will not be realized. Changes in valuation allowance from period to period are included in the Bank's tax provision in the period of change.

In addition to valuation allowances, the Bank recognizes, estimates and discloses uncertain tax positions when, despite having considered that the tax positions taken by the Bank relating to tax benefits are consistent with current practices and application of regulations, the Bank considers that such positions are likely to be challenged.

As of January 1, 2009, the Bank adopted the provisions of Subsection FASB 740-10, "*Income Taxes – Overall*", whereby uncertain tax positions are adjusted in light of changing facts and circumstances, such as the progress of tax audits, case law and emerging legislation. Uncertain tax positions are reflected as income tax payable as a component of accrued expenses and other liabilities. These accruals are reduced upon expiration of statute of limitations. The Bank's policy is to include interest and penalties related to unrecognized tax benefits within the provision for income taxes in the consolidated statements of income. The adoption of these dispositions did not require changes to the 2009 retained earnings' opening balance.

(q) *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.

(r) *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. 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.

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(s) *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.

(t) *Reclassifications*

Certain amounts in the 2009 consolidated financial statements have been reclassified to conform to the 2010 consolidated financial statement presentation.

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

At December 31, 2010 and 2009, cash and due from banks aggregating \$916,369,838 and \$1,065,330,303, respectively, are pledged to cover legal liquidity reserve requirements.

At December 31, 2010 and 2009, interest-bearing deposits amounting to \$16,120,632 and \$8,768,811, 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 relating to the consolidated statements of cash flows is shown below:

	<u>2010</u>	<u>2009</u>
Cash paid for interest during the year	\$ <u>202,554,931</u>	<u>262,344,207</u>
Cash paid for income taxes during the year	\$ <u>56,453,481</u>	<u>49,592,936</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>(4,124,533)</u>	<u>10,990,230</u>
Changes in cash flow hedging derivatives	<u>(3,604,329)</u>	<u>(547,258)</u>
Properties acquired in settlement of loans	\$ <u>18,222,245</u>	<u>13,514,139</u>

(5) Trading Securities

At December 31, 2010 and 2009, trading securities consist of government bonds amounting to \$16,157,405 and \$10,476,261, respectively.

Net gains on trading security activities included in earnings for the years ended December 31, 2010 and 2009 amount to \$232,706 and \$1,159,163, respectively, including unrealized gains (losses) on trading securities for \$160,898 and \$208,894, respectively.

At December 31, 2010 and 2009, securities with a fair value of \$10,357,391 and \$224,000, respectively, were pledged to secure repurchase agreements.

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(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, 2010 and 2009 were as follows:

	2010			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Government bonds	\$ 462,829,015	4,132,865	(2,175,586)	464,786,294
Corporate debentures	192,817,069	409,884	(1,948,074)	191,278,879
Mutual funds	2,000,000	28,352	0	2,028,352
Other securities	19,697	0	(2,776)	16,921
	<u>\$ 657,665,781</u>	<u>4,571,101</u>	<u>(4,126,436)</u>	<u>658,110,446</u>

	2009			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Government bonds	\$ 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	17,906	0	(126)	17,780
	<u>\$ 499,650,825</u>	<u>7,166,306</u>	<u>(2,446,068)</u>	<u>504,371,063</u>

A summary of securities available for sale as of December 31, 2010 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>Amortized Cost</u>	<u>Fair Value</u>
Government bonds:		
Due within one year	\$ 261,665,473	261,712,218
Due after one year but within five years	150,886,242	151,580,686
Due after five years but within ten years	46,721,952	48,374,838
Due after ten years	3,555,348	3,118,552
	<u>462,829,015</u>	<u>464,786,294</u>
Corporate debentures:		
Due within a year	18,961,566	18,991,701
Due after one year but within five years	173,855,503	172,287,178
	<u>192,817,069</u>	<u>191,278,879</u>
Mutual funds:		
Without maturity	2,000,000	2,028,352
Other securities:		
Without maturity	19,697	16,921
	<u>\$ 657,665,781</u>	<u>658,110,446</u>

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At December 31, 2010 and 2009, securities with a carrying value of \$24,965,345 and \$32,831,919, respectively, were pledged to secure borrowings and repurchase agreements.

For the years ended December 31, 2010 and 2009, proceeds from sale of securities available for sale amounted to \$521,706,422 and \$638,593,206, respectively. Gross realized gains amounted to \$11,302,278 and \$9,843,014 for 2010 and 2009, respectively. Gross realized losses amounted to \$16,738 and \$699,110 for the years ended December 30, 2010 and 2009, 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, 2010 and 2009, were as follows:

	2010					
	12 Months or less		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government bonds	\$ 235,027,659	(1,279,300)	12,274,055	(896,286)	247,301,714	(2,175,586)
Corporate debentures	143,287,612	(1,948,074)	0	0	143,287,612	(1,948,074)
Other securities	16,921	(2,776)	0	0	16,921	(2,776)
Total	\$ 378,332,192	(3,230,150)	12,274,055	(896,286)	390,606,247	(4,126,436)

	2009					
	12 Months or less		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government bonds	\$ 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)
Other securities	17,780	(126)	0	0	17,780	(126)
Total	\$ 212,025,982	(1,092,899)	58,286,702	(1,353,169)	270,312,684	(2,466,068)

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, 2010, 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, 2010, management believes the impairments detailed in the table above are temporary and no impairment loss has been realized in the Bank's consolidated statements of income.

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(7) Securities Held to Maturity

The amortized cost and fair value of securities held to maturity as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Government bonds	\$ <u>0</u>	<u>0</u>	<u>7,907,992</u>	<u>7,592,157</u>

As of December 31, 2009, the gross unrealized losses amounted to \$315,835, most of the securities have been on a continuous unrealized loss position for more than 12 months

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.

During December 2010, the Bank reclassified its securities held to maturity, to available for sale to standardize the corporative criteria related to investment management.

(8) Loans

The composition of loans as of December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Commercial, financial and industrial	\$ 1,594,956,355	1,475,479,390
Mortgage and real estate	1,580,527,333	1,463,180,846
Credit card	1,306,469,354	1,244,478,320
Vehicles	381,745,898	380,290,567
Other personal	312,141,091	325,209,087
Lease financing	118,535,381	114,941,527
Overdrafts	<u>26,216,859</u>	<u>28,807,391</u>
	\$ <u>5,320,592,271</u>	<u>5,032,387,128</u>

At December 31, 2010 and 2009, the Bank had loans for \$455,047,016 and \$285,705,883, respectively, pledged to secure borrowings and other credit facilities.

The following table presents the net investment value on lease financing receivable:

	<u>2010</u>	<u>2009</u>
Total minimum payments on leases receivable	\$ 118,535,381	114,941,527
Less: Allowance for uncollectible leasings	<u>(733,681)</u>	<u>(1,187,049)</u>
Minimum net payments on leases receivable	117,801,700	113,754,478
Less: Unearned interest and deferred loan fees and costs	<u>(11,711,262)</u>	<u>(11,274,665)</u>
Net investment value on lease financing	\$ <u>106,090,438</u>	<u>102,479,813</u>

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At December 31, 2010 and 2009, the Bank's non-accrual and restructured loans, amounted to \$202,260,207 and \$205,014,867, respectively. The gross interest income that would have been recognized in the years ended December 31, 2010 and 2009 if non-accrual loans would have performed under their original terms amounted to \$20,811,870 and \$19,557,921, respectively.

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

	<u>2010</u>	<u>2009</u>
Impaired loans, without a valuation allowance	\$ <u>347,450</u>	<u>439,543</u>
Impaired loans, with a valuation allowance	\$ <u>38,590,603</u>	<u>33,672,123</u>
Valuation allowance	\$ <u>13,689,566</u>	<u>14,990,837</u>
Average recorded investment	\$ <u>41,753,697</u>	<u>41,459,597</u>
Interest income recognized on a cash basis	\$ <u>2,370,819</u>	<u>1,500,072</u>

At December 31, 2010 and 2009, other real estate owned assets included in other assets amounted to \$28,265,644 and \$24,298,722, respectively.

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, 2010 and 2009 are presented below:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 105,169,337	123,535,949
Provision for loan losses	87,383,541	125,076,426
Charge-offs	(141,576,414)	(162,180,421)
Recoveries	35,464,915	23,079,290
Foreign currency translation	<u>1,126,901</u>	<u>(4,341,907)</u>
Balance, end of year	\$ <u>87,568,280</u>	<u>105,169,337</u>

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(10) Property and Equipment

Property and equipment as of December 31, 2010 and 2009 are detailed as follows:

	<u>2010</u>	<u>2009</u>
Land	\$ 21,897,592	20,825,579
Buildings and improvements	94,756,072	84,362,512
Equipment, furniture and vehicles	236,995,125	235,238,929
Constructions in progress	<u>9,047,977</u>	<u>5,755,231</u>
	362,696,766	346,182,251
Less: accumulated depreciation and amortization	<u>(174,687,593)</u>	<u>(163,531,160)</u>
	<u>\$ 188,009,173</u>	<u>182,651,091</u>

(11) Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the years ended December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Goodwill:		
Balance, beginning of the year	\$ 85,252,924	85,389,088
Foreign currency translation	<u>872,559</u>	<u>(136,164)</u>
Balance, end of the year	<u>\$ 86,125,483</u>	<u>85,252,924</u>

The gross carrying amount and accumulated amortization for each of the Bank's identified intangible assets subject to amortization at December 31, 2010 and 2009 are presented below:

	<u>2010</u>		<u>2009</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	12,034,978	12,034,978	3,704,076
Purchased credit card relationships	7,992,127	4,851,662	7,992,127	3,793,461
Merchant relationships	739,999	512,765	739,999	436,040
Trade name and trademarks	<u>41,570</u>	<u>41,570</u>	<u>41,570</u>	<u>33,256</u>
	<u>\$ 20,808,674</u>	<u>17,440,975</u>	<u>20,808,674</u>	<u>7,966,833</u>

None of the intangible assets listed in the table above has residual value. The weighted average lives of core deposit intangible, credit card relationships and merchant relationships are 17, 13 and 15 years, respectively. None of these intangibles is deductible for tax purposes.

The aggregate amortization expense related to intangible assets for the years ended December 31, 2010 and 2009, amounted to \$2,426,447 and \$3,206,946, respectively. Amortization expense related to identified intangible assets in each of the five years subsequent to December 31, 2010, is as follows: 2011: \$841,028, 2012: \$610,326, 2013: \$466,501, 2014: \$392,738, 2015: \$339,611 and thereafter: \$717,495.

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During the year ended December 31, 2010, the Company recorded an impairment loss of \$7,047,695 related to the core deposit intangible.

(12) Deposits

As of December 31, 2010 and 2009, the Bank held \$1,802,281,262 and \$1,798,684,015, respectively, of time deposits with principal balances of \$100,000 and over.

Scheduled maturities of time deposits at December 31, 2010 are as follows:

<u>Year ending December 31,</u>	
2011	\$ 2,034,751,808
2012	99,506,688
2013	20,920,038
2014	7,976,375
2015	6,420,944
Thereafter	<u>1,628,061</u>
	\$ <u>2,171,203,914</u>

(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, 2010 and 2009:

	<u>2010</u>		<u>2009</u>	
	<u>Payable in</u>		<u>Payable in</u>	
	<u>Colones</u>	<u>\$</u>	<u>Colones</u>	<u>\$</u>
Carrying amount at end of year	\$ <u>34,971,831</u>	<u>6,762,527</u>	<u>23,054,432</u>	<u>12,259,354</u>
Maximum amount outstanding at any month end	\$ <u>60,224,638</u>	<u>12,297,146</u>	<u>36,428,929</u>	<u>19,693,797</u>
Average amount outstanding during the year	\$ <u>36,342,362</u>	<u>4,958,479</u>	<u>29,541,158</u>	<u>4,481,822</u>
Weighted average interest rate for the year	<u>8.52%</u>	<u>1.26%</u>	<u>11.11%</u>	<u>1.70%</u>
Weighted average interest rate at end of year	<u>7.15%</u>	<u>2.89%</u>	<u>11.85%</u>	<u>1.55%</u>
Maturities through	<u>January 2011</u>		<u>June 2010</u>	

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(14) Borrowings

Borrowings at December 31, 2010 and 2009 consist of the following:

	2010			Carrying Amount
	Interest Rates	Maturity Various Through		
Payable in U. S. dollars:				
Fixed rate	0.51 % to 18.00%	2025	\$	45,819,237
Floating rate	0.60% to 9.00%	2024		703,000,301
Payable in Quetzals (Guatemala):				
Floating rate	7.00% to 9.27%	2021		44,033,993
Payable in Lempiras (Honduras):				
Floating rate	0.01% to 15.00%	2038		110,997,891
Payable in Cordobas (Nicaragua):				
Fixed rate	5.50% to 6.53%	2014		343,601
Payable in Colones (Costa Rica):				
Floating rate	8.75% to 12.25%	2021		<u>12,629,723</u>
			\$	<u>916,824,746</u>
	2009			Carrying Amount
	Interest Rates	Maturity Various Through		
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):				
Fixed rate				
Floating rate	5.00% to 18.75%	2010		<u>27,183,716</u>
			\$	<u>979,172,002</u>

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As of December 31, 2010 and 2009, the amount outstanding under the CIC Receivables Master Trust, a consolidated special purpose vehicle, aggregated \$349,270,442 and \$300,000,000, 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. 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 (1.6900% and 1.6897%, including surety premiums, at December 31, 2010 and 2009, respectively). Principal amortization amounts will be paid to certificate holders beginning in July 2010. The certificates had an original duration of 4.68 years. At December 31, 2010, the certificates currently have a weighted - average duration of 3.4577 years.

At December 31, 2010 and 2009, secured borrowings amounted to \$804,317,459 and \$644,419,159, respectively.

At December 31, 2010, the Bank had approximately \$764,072,036 available in unused lines of credit that expire through 2017.

Scheduled maturities of borrowings at December 31, 2010, are as follows:

Year ending December 31,

2011	\$	256,439,067
2012		152,444,809
2013		98,497,394
2014		86,150,318
2015		84,475,526
Thereafter		<u>238,817,632</u>
	\$	<u>916,824,746</u>

(15) Other Borrowed Funds

Carrying amount of other borrowed funds at December 31, 2010 and 2009 consist of debt instruments registered at and negotiable through the corresponding local stock exchanges in Guatemala, El Salvador, Costa Rica and Honduras, at fixed and variable interest rates, and are detailed as follows:

<u>Payable in:</u>	<u>Interest Rates</u>			<u>2010</u>	<u>2009</u>
	<u>2010</u>	<u>2009</u>			
U.S. dollars	2.91% to 5.02%	4.40% to 6.55%	\$	79,193,124	101,637,288
Quetzals	8.04%	8.31%		65,923,633	61,101,720
Colones	0%	7.50% to 10.50%		0	57,440,123
Lempiras	14.38%	13.50%		<u>13,230,943</u>	<u>13,230,973</u>
			\$	<u>158,347,700</u>	<u>233,410,074</u>

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Scheduled maturities of other borrowed funds at December 31, 2010 are as follows:

Year ending December 31,

2011	\$	85,116,757
2012		33,230,943
2013		25,000,000
2014		<u>15,000,000</u>
	\$	<u>158,347,700</u>

At December 31, 2010 and 2009, the Bank had loans receivable for \$117,791,647 and \$117,817,882, respectively, pledged to secure these other borrowed funds.

(16) Other Operating Expenses

The following table sets forth the components of other operating expenses for the years ended December 31, 2010 and 2009:

		<u>2010</u>	<u>2009</u>
Advertising	\$	21,360,265	19,875,178
Communications		20,736,857	20,047,611
Office supplies		7,054,212	7,551,869
Maintenance		19,326,008	20,789,655
Credit card franchise and authorization fees		20,267,778	16,181,470
Taxes other than income tax		11,164,116	9,486,796
Intangible asset impairment		7,047,695	0
Processing fees		4,942,263	5,035,812
Deposit insurance		4,385,962	4,254,034
Security		7,585,582	7,511,082
Armored services		9,370,318	8,575,161
Travel expenses		4,377,810	4,001,326
Other		<u>82,528,470</u>	<u>66,251,005</u>
	\$	<u>220,147,336</u>	<u>189,560,999</u>

(17) Income Taxes

Income tax expense consists of:

		<u>2010</u>	<u>2009</u>
Current	\$	59,160,251	47,836,658
Deferred		<u>873,049</u>	<u>12,385,733</u>
	\$	<u>60,033,300</u>	<u>60,222,391</u>

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Income tax expense was \$60,033,300 and \$60,222,391 for the years ended December 31, 2010 and 2009, respectively, and differed from the amounts computed by applying the current statutory income tax rates to pretax consolidated earnings as a result of the following:

	<u>2010</u>	<u>2009</u>
Computed "expected" tax expenses	\$ 69,367,508	62,641,872
Increase (decrease) in income taxes resulting from:		
Exempt and foreign source income	(11,217,006)	(11,895,618)
Tax incentives	(519,633)	(188,254)
Changes in uncertain tax positions	4,183,467	4,025,737
Change in allowance	3,860,871	9,967,817
Change in enacted tax rate	0	565,251
Nondeductible expenses	10,782,167	9,047,657
Foreign income taxes rate differential	<u>(16,424,074)</u>	<u>(13,942,071)</u>
Income tax expense	\$ <u>60,033,300</u>	<u>60,222,391</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, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Deferred tax assets:		
Net operating tax loss carryforwards	\$ 12,547,155	4,891,400
Allowance for loan losses	7,080,823	10,578,445
Deferred loan origination fees and costs	373,549	738,102
Accrued expenses	5,328,125	4,332,714
Swaps mark to market	1,024,507	(59,534)
Foreclosed assets valuation	200,253	(451,076)
Accrued interest receivable	(946,098)	(677,595)
Net premises and equipment depreciation difference	<u>316,550</u>	<u>342,033</u>
Gross deferred tax assets	25,924,864	19,694,489
Less-valuation allowance	<u>(13,955,491)</u>	<u>(10,094,620)</u>
Net deferred tax assets	<u>11,969,373</u>	<u>9,599,869</u>
Deferred tax liabilities:		
Net premises and equipment depreciation difference	(1,939,484)	(4,631,060)
Deferred expenses	(2,459,061)	(1,863,916)
Deferred commissions	(266,338)	(1,089,830)
Accrued expenses	(581,913)	(993,010)
Accrued interest receivable	(1,441,433)	(1,335,981)
Fair value acquisition adjustments	(2,339,697)	(2,375,225)
Investments in foreign subsidiaries, for undistributed earnings	(4,500,989)	0
Allowance for loan losses	(8,001,203)	(5,813,942)
Unrealized gains on securities available for sale	<u>(167,164)</u>	<u>(240,659)</u>
Total deferred tax liabilities	<u>(21,697,282)</u>	<u>(18,343,623)</u>
Net deferred tax liabilities	\$ <u>(9,727,909)</u>	<u>(8,743,754)</u>

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The valuation allowance for deferred tax assets as of December 31, 2010 and 2009 was \$13,955,491 and \$10,094,620, respectively. The valuation allowance at December 31, 2010 and 2009 was primarily related to net operating loss carryforwards 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, 2010 and 2009 was an increase of \$3,860,871 and of \$9,967,817, 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 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, 2010.

At December 31, 2010, the subsidiaries of the Bank have incurred in net operating tax loss carryforwards of \$12,547,155, which are available to offset future taxable income of the applicable subsidiaries through 2019.

The Bank has not recognized a deferred income tax liability of approximately \$25,062,000 for undistributed earnings from foreign subsidiary operations that resulted in 2010 and prior years because the Bank believes that these profits will be reinvested for an indefinite period. At December 31, 2010, undistributed earnings of those subsidiaries approximately amount to \$201,085,000.

The Bank is subject to income taxation in various jurisdictions. At December 31, 2010 and 2009, the Bank maintained unrecognized tax benefits, excluding related interest expense and penalties, amounting to \$7,366,466 and \$3,727,952, respectively. Management believes it is reasonably possible that unrecognized tax benefits will increase approximately by \$4,200,000 within the next 12 months. Interest expenses and penalties related to income tax liabilities recognized in income tax expense were \$544,953 and \$297,785 in 2010 and 2009, respectively. Total accrued interest and penalty expenses amount to \$842,743 and \$297,785, at December 31, 2010 and 2009, respectively. This amount is also included in other liabilities, at December 31, 2010 and 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: 2005, Guatemala: 2006, El Salvador: 2007, Honduras: 2004, Nicaragua: 2006, Costa Rica: 2007 and Panama: 2007.

During 2010 the Panama income tax rates applicable to legal entities for future years were modified, as follows: 2011, 30%; 2012 and 2013, 27.5%; and beyond, 25%.

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(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, 2010 and 2009:

	<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 stockholder's equity:				
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	(103,113,940)	4,445,981	(547,258)	(99,215,217)
Current year changes	<u>28,850,898</u>	<u>(4,124,870)</u>	<u>(3,604,329)</u>	<u>21,121,699</u>
Balances as of December 31, 2010	<u>(74,263,042)</u>	<u>321,111</u>	<u>(4,151,587)</u>	<u>(78,093,518)</u>
Attributable to noncontrolling interest:				
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	(86,251)	(266)	0	(86,517)
Current year changes	<u>(22,840)</u>	<u>337</u>	<u>0</u>	<u>(22,503)</u>
Balances as of December 31, 2010	<u>(109,091)</u>	<u>71</u>	<u>0</u>	<u>(109,020)</u>
Total accumulated other comprehensive loss, net	\$ <u>(74,372,133)</u>	<u>321,182</u>	<u>(4,151,587)</u>	<u>(78,202,538)</u>

The following table presents details of other comprehensive loss for the years ended December 31, 2010 and 2009:

	<u>December 31, 2010</u>		
	<u>Pre-Tax Amount</u>	<u>Income tax (Expense) Benefit</u>	<u>After-tax Amount</u>
Foreign currency translation adjustment:			
Controlling interest	\$ 28,850,898	0	28,850,898
Noncontrolling interest	<u>(22,840)</u>	<u>0</u>	<u>(22,840)</u>
Net current year change	<u>28,828,058</u>	<u>0</u>	<u>28,828,058</u>
Unrealized gain on securities:			
Unrealized net holding gains on securities:			
Controlling interest	7,174,726	(411,306)	6,763,420
Noncontrolling interest	<u>337</u>	<u>0</u>	<u>337</u>
	7,175,063	(411,306)	6,763,757
Less: reclassification adjustment to earnings for realized net gains, controlling interest	<u>(11,285,540)</u>	<u>397,250</u>	<u>(10,888,290)</u>
Net current year change	<u>(4,110,477)</u>	<u>(14,056)</u>	<u>(4,124,533)</u>
Cash flow hedging derivatives:			
Net current year change, controlling interest	<u>(3,604,329)</u>	<u>0</u>	<u>(3,604,329)</u>
Other comprehensive loss, for the year	\$ <u>21,113,252</u>	<u>(14,056)</u>	<u>21,099,196</u>

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	December 31, 2009		
	Pre-Tax Amount	Income tax (Expense) Benefit	After-tax Amount
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>

(19) Off-Balance Sheet Financial Instruments and Other Commitments

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 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, 2010 and 2009, the Bank had not entered into non-cancelable commitments to extend credit.

As of December 31, 2010 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 \$211 million and \$1,576 million (\$117 million and \$1,374 million in 2009). The unused portion of the total amount available in each country, aggregated approximately from \$152 million and \$1,199 million (\$86 million and \$1,022 million in 2009). 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, 2010 and 2009 outstanding letters of credit and financial guarantees are as follows:

	<u>2010</u>	<u>2009</u>
Standby letters of credit	\$ 46,696,093	33,783,155
Commercial letters of credit	41,896,927	37,298,535
Financial guarantees	<u>186,184,042</u>	<u>200,293,947</u>
	\$ <u>274,777,062</u>	<u>271,375,637</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, 2010 and 2009, are detailed as follows:

	<u>2010</u>	<u>2009</u>
Up to 1 year	\$ 198,385,310	201,176,890
Over 1 year	<u>34,494,825</u>	<u>32,900,212</u>
	\$ <u>232,880,135</u>	<u>234,077,102</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, 2010 and 2009, amounted to \$81,049,647 y \$37,197,414, respectively.

The fair value of the letters of credit and guarantees as of December 31, 2010 and 2009 are of \$1,883,399 y \$1,916,506, 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 \$1,044,828 and \$1,129,043 in 2010 and 2009, respectively.

The Bank also has several non 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 2010 and 2009 amounted to \$22,800,642 and \$20,025,615, respectively.

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Minimum lease payments under operating leases due in each of the five years subsequent to December 31, 2010, are as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Thereafter</u>	<u>Total</u>
\$	<u>13,215,360</u>	<u>10,491,187</u>	<u>9,768,654</u>	<u>8,585,642</u>	<u>7,577,948</u>	<u>6,956,134</u>	<u>56,594,925</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 a variable-rate borrowing with a total notional amount of \$130,000,000. The interest rate swap contract was designated as hedging instrument in a 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-quarters 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-month LIBOR with 32 settlements, starting on June 30, 2009. No cash flow hedges were discontinued during 2010 or 2009.

The Bank has entered into certain interest rate swap, cap and floor contracts that have not been 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 sheets.

The Bank has entered into an interest rate swap contract on a variable-rate borrowing to protect cash flows associated with interest rate changes on such debt.

The foreign exchange forward contracts are mostly negotiated over-the-counter ("OTC"). These contracts are carried out between two counterparties that negotiate specific terms in the agreement, including face amount, exercise price, and maturity date.

The notional amounts and estimated fair values of foreign exchange and interest rate derivative contracts outstanding at December 31, 2010 and 2009 are presented in the following table. The fair values of derivative contracts are estimated utilizing internal valuation models with observable market data inputs.

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	2010			2009		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Other Assets	Other Liabilities		Other Assets	Other Liabilities
Freestanding:						
Interest rate swaps	\$ 80,000,000	0	3,490,484	80,000,000	198,446	0
Interest rate caps	0	0	0	3,375,000	14,324	0
Foreign exchange forward contracts	<u>54,000,000</u>	<u>117,236</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>134,000,000</u>	<u>117,236</u>	<u>3,490,484</u>	<u>83,375,000</u>	<u>212,770</u>	<u>0</u>
Cash flow hedges:						
Interest rate swaps	<u>121,542,581</u>	<u>0</u>	<u>4,151,587</u>	<u>130,000,000</u>	<u>0</u>	<u>547,258</u>
	<u>\$ 255,542,581</u>	<u>117,236</u>	<u>7,642,071</u>	<u>213,375,000</u>	<u>212,770</u>	<u>547,258</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 cash flows hedges 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 \$4.2 million at December 31, 2010 and \$0.5 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 2011.

Unrealized gains (losses) from non-hedging derivatives reported in other income amounted to \$(3,496,232) and \$198,446 for the years ended December 31, 2010 and 2009, respectively. Interest expense related to non-hedging derivatives for the years ended December 31, 2010 and 2009 amount to \$258,113 and \$0, 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.

The Bank did not pledge or receive collateral related to derivative contracts at December 31, 2010.

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(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 to determine fair value. Fair value is based upon quoted market prices, where available. If listed prices or quotations 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. However, in situations where there is little or no activity in the market for the asset or liability at the measurement date, the fair value measurement reflects the Bank's own judgments about assumptions that market participants would use in setting the price of the asset or liability. The judgments are developed by the Bank based on the best information available in the circumstances, including expected cash flows, discount rates appropriately adjusted for risk and the availability of observable and unobservable inputs.

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

Recurring Fair Value Measurements

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.

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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.

The Bank elected to report mortgage loans at fair value and in this way apply the same basis of accounting (measurement at fair value through earnings) as the derivatives economically hedging these loans. Interest income over these loans are recorded as interest on loans and net gains and losses from changes in fair value are reported as other income in the consolidated statements of income. At December 31, 2010 and 2009, loans amounting to \$436,991 and \$0, respectively, were 90 days or more past due and were not accruing interest. During the years ended December 31, 2010 and 2009, the Bank recognized \$2,840,568 and \$3,223,295, respectively, related to interest income on such loans and \$1,034,319 and \$(1,646,929), respectively, for the net gains (loss) resulting from changes in their fair value. Gains and losses were primarily attributable to changes in interest rates.

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 and 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.

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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, 2010</i>	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of December 31, 2010
Assets				
Trading securities:	\$			
Government bonds	15,893,923	263,482	0	16,157,405
Securities available for sale:				
Government bonds	357,903,699	95,390,087	11,492,508	464,786,294
Corporate debentures	183,051,042	8,227,837	0	191,278,879
Mutual funds	2,028,352	0	0	2,028,352
Other securities	16,921	0	0	16,921
Total securities available for sale	543,000,014	103,617,924	11,492,508	658,110,446
Loans:				
Mortgage	0	0	35,027,988	35,027,988
Mortgage – non - performing	0	0	436,991	436,991
Total loans	0	0	35,464,979	35,464,979
Derivatives:				
Foreign exchange forward contracts	0	117,236	0	117,236
Total assets	\$ 558,893,937	103,998,642	46,957,487	709,850,066
Liabilities				
Derivatives:				
Interest rate swaps	0	(7,642,071)	0	(7,642,071)
Total liabilities	\$ 0	(7,642,071)	0	(7,642,071)

<i>At December 31, 2009</i>	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of December 31, 2009
Assets				
Trading securities:	\$			
Government bonds	10,303,444	172,817	0	10,476,261
Securities available for sale:				
Government bonds	220,674,244	80,791,387	9,394,655	310,860,286
Corporate debentures	186,634,647	6,858,350	0	193,492,997
Other securities	17,780	0	0	17,780
Total securities available for sale	407,326,671	87,649,737	9,394,655	504,371,063
Loans:				
Mortgage	0	0	40,384,601	40,384,601
Mortgage – non - performing	0	0	0	0
Total loans	0	0	40,384,601	40,384,601
Derivatives:				
Foreign exchange forward contracts	0	212,770	0	212,770
Total assets	\$ 417,630,115	88,035,324	49,779,256	555,444,695
Liabilities				
Derivatives:				
Interest rate swaps	0	547,258	0	547,258
Total liabilities	\$ 0	547,258	0	547,258

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The accounting policies of the Bank include the recognition of transfers between fair value hierarchy levels on the date of the event or change in the circumstances that caused the transfer. During 2010, there were no transfers between levels 1, 2, and 3. In 2009, certain government bonds for \$9,425,979 were reclassified because currently no observable market inputs are available.

The table below includes a roll forward of the balance sheet amounts for the years ended December 31, 2010 and 2009 (including changes 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.

2010	Fair value as of January 1, 2010	Total realized gains included in earnings	Transfers in and/or out of Level 3	Origination and settlements, net	Fair value as of December 31, 2010	Unrealized gains as of December 31, 2010
Assets						
Securities available for sale:						
Government bonds	\$ 9,394,655	0	0	2,056,099	11,492,508	41,754
Loans	40,384,601	1,034,319	0	(5,953,943)	35,464,979	2,477,642
Total	\$ 49,779,256	1,034,319	0	(3,897,844)	46,957,487	2,519,396
2009						
2009	Fair value as of January 1, 2009	Total realized losses included in earnings	Transfers in and/or out of Level 3	Origination and settlements, net	Fair value as of December 31, 2009	Unrealized losses as of December 31, 2009
Assets						
Securities available for sale:						
Government bonds	\$ 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)

Non-Recurring Fair Value Measurements

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

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The following table presents fair value measurements of assets that are measured at fair value on a non-recurring basis at December 31, 2010 and 2009.

	<u>Level 3</u>	
	<u>2010</u>	<u>2009</u>
Loans	\$ 38,590,603	16,338,871
Foreclosed assets	11,251,092	0
Other assets available for sale	<u>6,801,415</u>	<u>0</u>
	<u>\$ 56,643,110</u>	<u>16,338,871</u>

The increase (decrease) in fair value of assets at December 31, 2010 and 2009, which are recognized at fair value on a non-recurring basis, for which the fair value adjustment has been included in the consolidated statements of income, is as follows:

	<u>2010</u>	<u>2009</u>
Loans	\$ 1,301,271	(5,850,629)
Foreclosed assets	(3,997,057)	0
Other assets available for sale	<u>(1,000,000)</u>	<u>0</u>
	<u>\$ (3,695,786)</u>	<u>(5,850,629)</u>

Fair Value of Financial Instruments, Additional Disclosures

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, 2010 and 2009 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.

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- (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 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 collectability, 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.

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- (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.

Information about the fair value of on-balance sheet financial instruments at December 31, 2010 and 2009 is presented below:

	2010		2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets				
Cash and cash equivalents	\$ 1,921,288,472	1,921,288,472	1,657,635,273	1,657,635,273
Interest-bearing deposits	28,857,982	28,857,982	66,247,692	66,247,692
Securities held to maturity	0	0	7,907,992	7,592,157
Loans, excluding financial leases	5,092,141,825	5,125,678,706	4,795,993,471	4,791,973,101
Customers' liability under acceptances outstanding	4,832,817	4,832,817	3,010,062	3,010,062
Financial Liabilities				
Deposits	\$ 6,032,867,753	6,048,626,375	5,348,755,911	5,353,322,733
Securities sold under agreements to repurchase	41,734,358	41,734,358	35,313,786	35,313,786
Borrowings	916,824,746	914,790,281	979,172,002	974,986,597
Other borrowed funds	158,347,700	160,367,093	233,410,074	234,577,346
Acceptances outstanding	4,832,817	4,832,817	3,010,062	3,010,062

(23) Administration of Trust Contracts and Asset Management

As of December 31, 2010 and 2009, several of the Bank's subsidiaries administer and are custodian of assets which amounted to approximately \$1,160,151,905 and \$1,313,821,439, respectively.

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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, 2010 and 2009 and for the years then ended:

	<u>2010</u>	<u>2009</u>
Assets:		
Due from banks	\$ 48,850,806	15,206,490
Interest-bearing deposits	1,560,000	1,565,000
Loans receivable	84,370,170	77,940,777
Accrued interest and other receivables	<u>6,317,761</u>	<u>806,321</u>
	\$ <u>141,098,737</u>	<u>95,518,588</u>
	<u>2010</u>	<u>2009</u>
Liabilities:		
Demand deposits	\$ 170,248,106	72,550,035
Time deposits	119,072,459	145,942,818
Borrowings	0	68,101,811
Accrued interest and other liabilities	<u>3,083,227</u>	<u>1,981,178</u>
	\$ <u>292,403,792</u>	<u>288,575,842</u>
Interest and other operating income	\$ <u>7,075,385</u>	<u>6,565,168</u>
Interest and other operating expenses	\$ <u>12,054,868</u>	<u>11,247,661</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 position 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 their components, risk weightings and other factors.

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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). Management believes that, as of December 31, 2010 and 2009, the Bank meets all capital-adequacy requirements to which it is subject. The Bank's capital ratios are presented in the following table:

	<u>Bank's Ratio</u>		<u>Minimum Capital Adequacy Required</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Total Capital to risk weighted assets	12.82%	11.97%	8.0%	8.0%
Tier 1 Capital to risk weighted assets	13.97%	13.74%	4.0%	4.0%

(27) Subsequent Events

The Bank has evaluated subsequent events from the consolidated balance sheet date through February 4, 2011, the date at which the consolidated financial statements were available to be issued, and determined there are no other items to disclose.