

December 14, 2007

Research Update:

**BAC International Bank Inc.
'BBB/A-2' Rating Affirmed; Outlook
Stable**

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Rationale

On Dec. 14, 2007, Standard & Poor's Rating Services affirmed its 'BBB/A-2' counterparty credit rating on BAC International Bank Inc. (BIB). The outlook is stable.

The ratings on BIB are based on those on Credomatic International Corp. (CIC; BBB/Stable/A-2), which is its main subsidiary and represents most of its assets, loan portfolio, and profits. BIB is incorporated in Panama, with two main wholly owned subsidiaries, BAC International Bank Inc. (Grand Cayman) and CIC. General Electric Capital Corp. (GECC; AAA/Stable/A-1+) owns a 49.99% stake in BIB, and the ratings consider a limited degree of financial support from GECC, as well as our assessment of BIB's strategic importance to GECC. GECC's footprint is evident with new credit process implementation, risk management practices, and sharp organic and inorganic growth

On a consolidated basis, BIB is the fourth-largest financial group in Central America, with \$5.9 billion in assets as of September 2007. The Panamanian superintendent is the ultimate supervisor of the consolidated BAC Credomatic Group and, on an individual basis, the banking operations are subject to regulation and supervision in each country. BIB has benefited from GECC's underwriting policies through the implementation of new credit process and risk management practices, as well as support for organic and inorganic growth. BIB, on a consolidated basis, has shown a healthy financial condition with consistent growth rates. The 76% increase in assets during the first nine months of 2007 is the result of Banco Mercantil de Honduras' acquisition and the bank's rapid loan growth.

BIB has maintained good asset quality indicators, despite having 40% of its loan portfolio in credit cards, personal loans, and auto loans. Despite its credit expansion, nonperforming assets have been maintained at an average 1.7%, with a reserve coverage in excess of 1.5x for the past four years. We expect asset quality to remain at manageable levels, particularly thanks to GECC's underwriting knowledge in the retail segment. Strong profitability levels, with an ROA above 3%, could support an increase in reserve coverage. Of particular concern is the important exposure to dollar-denominated loans that are granted to nongenerators of foreign currency, mainly in Costa Rica. BIB is challenged with maintaining a prudent business approach and to continue diversifying by business line, industry, and country. Capitalization ratios are still adequate, with an adjusted total equity-to-assets ratio of 8.4% at September 2007, although the ratio has declined rapidly from 11.3% at year-end 2006. The latter is a consequence of a rapid expansion, mainly through acquisitions. Nevertheless, we expect BIB's adjusted capitalization ratio to improve to historical levels, given the capacity to retain earnings and sustain future growth.

Outlook

The outlook assigned to BIB is not constrained by the outlook assigned to Panama, but is tied to the outlook assigned to the ratings on CIC. We expect BIB and the BAC Credomatic Group to maintain an overall good financial profile, given the favorable growth prospects for Central American economies. We will look for good asset quality and sound capital to be preserved. Barring any major regional problems that could result in asset quality and profitability deterioration, we expect the ratings to remain at current levels. As ratings assigned to BIB are based on those of CIC, any change to the ratings on CIC will affect those on BIB. If BIB is unable to maintain its adequate financial profile, asset quality, and profitability, or if adjusted capitalization deteriorates due to increased leveraged acquisitions, the ratings could be pressured. If GECC acquires a larger share within BIB, the ratings may benefit.

Ratings List

Ratings Affirmed

BAC International Bank Inc.

Counterparty Credit Rating	BBB/Stable/A-2
Certificate Of Deposit	BBB/A-2

BAC Bahamas Bank

Counterparty Credit Rating	
Foreign Currency	BB/Stable/B
Certificate Of Deposit	
Foreign Currency	BB

Banco BAC San Jose, S.A.

Counterparty Credit Rating	
Foreign Currency	BB/Stable/B
Local Currency	BB+/Stable/B
Certificate Of Deposit	
Foreign Currency	BB
Local Currency	BB+

Credomatic International Corp.

Counterparty Credit Rating	BBB/Stable/A-2
Certificate Of Deposit	BBB

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