Banco de Credito e Inversiones, S.A.,
Miami Branch
Financial Statements
December 31, 2004 and 2003

Report of Independent Certified Public Accountants

To the Board of Directors of
Banco de Credito e Inversiones, S.A.

In our opinion, the accompanying statements of assets, liabilities and Head Office equity and the related statements of operations and of cash flows present fairly, in all material respects, the financial position of Banco de Credito e Inversiones, S.A., Miami Branch (the "Branch") at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles which, as described in Note 1, are generally accepted in Chile. These financial statements are the responsibility of the Branch's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

January 28, 2005

Banco de Credito e Inversiones, S.A., Miami Branch
Statements of Assets, Liabilities and Head Office Equity
(Expressed in U.S. Dollars)
December 31, 2004 and 2003

	2004	2003
Assets		
Cash and due from banks	$ 1,702,568	$ 3,002,408
Federal funds sold and overnight	91,145,117	32,600,117
Cash and banks	92,847,685	35,602,525
Loans:		
Commercial and industrial	115,612,538	64,493,807
Trade related	8,305,115	2,388,858
Consumer	2,190,031	1,523,200
Contingencies	16,452,716	14,516,650
Other debtors	-	5,543
	142,560,400	82,928,058
Allowance for loan losses	(2,156,668)	(1,220,500)
Loans, net	140,403,732	81,707,558
Investments:		
Time deposits due from banks	650,976	159,778
Non-permanent investment securities	65,707,830	57,637,978
Permanent investment securities	3,562,881	18,571,702
Securities sold under repurchase agreements	32,833,915	10,687,000
	102,755,602	87,056,458
Premises and equipment, net	352,898	147,460
Other assets	50,199,188	112,535,947
	$ 386,559,105	$ 317,049,948
Liabilities and Head Office Equity		
Deposits and other commitments:		
Demand deposits	$ 35,381,952	$ 28,159,947
Time deposits	292,049,912	212,385,017
Obligations under repurchase agreements	29,263,960	10,687,000
Other sight and term obligations	1,003,655	40,502,094
Other unfunded commitments	16,452,716	14,516,650
Other payables	21,470	24,800
Total deposits and other commitments	374,173,665	306,275,508
Other liabilities	2,707,666	460,939
Total liabilities	376,881,331	306,736,447
Head Office equity:		
Assigned capital	13,413,389	13,413,389
Accumulated losses	(3,820,694)	(3,043,540)
Other equity accounts	85,079	(56,348)
Total Head Office equity	9,677,774	10,313,501
	$ 386,559,105	$ 317,049,948

The accompanying notes are an integral part of these financial statements.

Banco de Credito e Inversiones, S.A., Miami Branch
Statements of Operations
(Expressed in U.S. dollars)
Years Ended December 31, 2004 and 2003

	2004	2003
Interest income		
Loans	$ 1,697,231	$ 1,915,823
Other	3,563,800	3,859,304
Total interest income	5,261,031	5,775,127
Commission and other income	2,862,578	1,502,377
Gain on sale of investment securities	1,162,956	1,250,155
Market value adjustments of investment securities	(17,814)	(1,713,823)
Total operating income	9,268,751	6,813,836
Interest expense	4,755,157	3,172,815
Commission expense	999,740	1,427,389
Loss on sale of investment securities	288,911	642,521
Total operating expenses	6,043,808	5,242,725
Gross margin	3,224,943	1,571,111
Salaries and employee benefits	1,655,734	1,582,776
Depreciation and amortization	159,309	210,658
Other general and administrative	1,250,886	1,079,684
Net margin	159,014	(1,302,007)
Provision for loan losses	936,168	312,500
Provision for income taxes	-	12,500
Net loss	$ (777,154)	$ (1,627,007)

The accompanying notes are an integral part of these financial statements.

Banco de Credito e Inversiones, S.A., Miami Branch
Statements of Cash Flows
(Expressed in U.S. Dollars)
Years Ended December 31, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Net loss	$ (777,154)	$ (1,627,007)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	159,309	210,658
Provision for loan losses	936,168	312,500
Net unrealized loss on investment securities	17,814	1,713,823
Net premium amortization (discount accretion) on investment securities	758,218	(472,453)
Gain on sale of investment securities	(1,162,956)	(1,250,155)
Loss on sale of investment securities	288,911	642,521
Changes in assets and liabilities:		
Net change in interest on assets and liabilities	(433,925)	494,063
Other assets	62,965,596	(110,940,018)
Other liabilities	2,083,531	914
Other payables	(3,330)	(4,976,719)
Net cash provided by (used in) operating activities	64,832,182	(115,891,873)
Cash flows from investing activities		
Net (proceeds from) repayments in time deposits due from banks and related institutions	(493,575)	153,640
Net (increase) decrease in investment securities	(14,296,435)	21,764,742
Net (increase) decrease in loans	(57,737,444)	9,116,645
Capital expenditures, net	(337,640)	(116,672)
Net cash (used in) provided by investing activities	(72,865,094)	30,918,355
Cash flows from financing activities		
Increase in demand deposits	7,221,677	2,418,384
Increase in time deposits	79,023,233	31,883,427
(Decrease) increase in other sight and term obligations	(39,522,605)	50,923,396
Increase in obligations under repurchase agreements	18,555,767	-
Net cash provided by financing activities	65,278,072	85,225,207
Net increase in cash and due from banks	57,245,160	251,689
Cash and banks, beginning of the year	35,602,525	35,350,836
Cash and banks, end of the year	$ 92,847,685	$ 35,602,525

The accompanying notes are an integral part of these financial statements.

1. Nature of Business and Summary of Significant Accounting Policies

Banco de Credito e Inversiones, S.A., Miami Branch (the "Branch"), is a branch of Banco de Credito e Inversiones, S.A. (the "Head Office"), a commercial bank incorporated in Santiago, Chile on April 20, 1937. The Branch was originally licensed as an international banking agency by the Department of Banking and Finance of the State of Florida (the "Department") on May 10, 1999 and began operations on May 17, 1999. On December 3, 2001, the Department approved the conversion of the existing international banking agency license to an international banking branch license. An international bank branch has the flexibility in terms of its ability to receive deposits from citizens and residents of the United States of America. The Branch is not a separately incorporated legal entity and conducts general banking business providing a full range of banking services to domestic and foreign individual and corporate customers principally from Latin America.

The following is a description of the significant accounting policies and practices followed by the Branch, which conform with accounting principles generally accepted in Chile and rules and regulations issued by the Superintendency of Banks and Financial Institutions of Chile (the "Banking Superintendency").

Basis of Presentation
The financial statements have been prepared from the records of the Branch, which contain evidence that transactions have been entered into and recorded locally. Because the Branch is part of the Head Office, its financial statements do not necessarily reflect all allocations to or from Head Office or other financial matters that may be applicable to the Branch. Further, because of the relationship with the Head Office, it is possible that the transactions recorded locally may not be the same as transactions among wholly unrelated parties.

Income Recognition
Interest income is recognized on the accrual basis.

Loans, investments and deposit liabilities include their respective accrued interest receivable and payable at year-end.

Investment Securities

Permanent
Investments that management does not have the intent to sell in the short-term are classified as permanent investment securities and are recorded at fair value. Adjustments for unrealized gains and losses on permanent investment securities are included in Head Office equity under "Other Equity Accounts." This adjustment amounted to a net unrealized loss of $141,427 and $73,708 for the years ended December 31, 2004 and 2003, respectively.

Non-permanent
Investment securities classified as non-permanent are also shown at their fair market value. Fair value adjustments for non-permanent securities are included in the determination of income, in accordance with specific instructions from the Banking Superintendency. This adjustment amounted to a net loss of $17,814 and $1,713,823 for the years ended December 31, 2004 and 2003, respectively, and are included in operating income or expense under "Market Value Adjustments of Investment Securities."

Loans and Allowance for Loan Losses
Loans are stated at the amount of unpaid principal plus accrued interest, reduced by an allowance for loan losses in accordance with regulations established by the Banking Superintendency. Interest on loans is calculated using the interest method on the daily balances of the outstanding principal amount. Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and the results of collection efforts, that the borrower's financial condition is such that collection of interest or principal is doubtful or when a loan becomes contractually past due 90 days or more with respect to interest or principal.

The provision for loan losses is the amount which is required to bring the allowance for loan losses to a level which, in management's judgment, will be adequate to absorb losses on existing loans. If future events result in deterioration of the loan portfolio, additional provisions will be made as the facts become evident.

Disclosure of Significant Concentrations of Credit Risk
Concentrations of credit risk arise when assets are concentrated in similar instruments, business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Branch has investments and loans in the U.S. and Latin America (see Note 5).

The Branch provides a full range of banking services to foreign individuals, foreign and domestic financial institutions and corporations within the public, private and financial sectors. Generally, Latin American and Caribbean deposits provide most of the Branch's liquidity. Accordingly, the Branch's funding is susceptible to changes in certain Latin American countries' economies.

Premises and Equipment
Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets.

Foreign Currency Transactions
Substantially all operational financial instruments of the Branch are denominated in US dollars. Foreign currencies are translated into US dollars using year-end rates of exchange. Income and expense amounts are translated based in the rate in effect at the end of the month in which the individual transactions are recorded.

Income Taxes
The Branch is subject to United States of America and Florida income taxes. The Branch applies the accounting criteria set out in Technical Bulletins No. 60 and 69 of the Chilean Institute of Accountants which requires that the effects of deferred taxes are shown on the accrual basis of accounting.

Derivative Financial Instruments
The Branch uses derivative financial instruments for the purpose of managing its exposure to adverse fluctuations in interest rates. Commissions received or paid on swaps is reflected as commission and other income or expense. Derivative financial instruments are carried at cost and are recorded in Memorandum accounts. The change in the fair value of derivative instruments is not recognized in the results of operations of the Branch as permitted by regulations issued by the Banking Superintendency.

Interest Rate Risk
The Branch's performance is dependent to a large extent on its net interest income, which is the difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities. The Branch, like most financial institutions, is affected by changes in general interest rate levels and by other economic factors beyond its control. Interest rate risk arises from mismatches between the dollar amount of repricing or maturing assets and liabilities, and is measured in terms of the ratio of the interest rate sensitivity gap to total assets. More assets repricing or maturing than liabilities over a given time frame is considered asset-sensitive, or a positive gap, and more liabilities repricing or maturing than assets over a given time frame is considered liability-sensitive, or a negative gap. An asset-sensitive position will generally enhance earnings in a rising interest rate environment and will negatively impact earnings in a falling interest rate environment, while a liability-sensitive position will generally enhance earnings in a falling interest rate environment and negatively impact earnings in a rising interest rate environment. Fluctuations in interest rates are not predictable or controllable. The Branch has attempted to structure its asset and liability management strategies to mitigate the impact on net interest income of changes in market interest rates.

Reclassifications
Certain reclassifications have been made to the December 31, 2003 financial statements to conform with current presentation.

2. Transactions with Head Office, Branches and Affiliates

In accordance with the General Banking Law and Banking Superintendency instructions, related parties are those persons or entities directly or indirectly connected with the Branch's management or ownership.

(Expressed in U.S. Dollars)

Balances with Head Office, branches and affiliates as of December 31, 2004 and 2003 are as follows:

	Entity	2004	2003
Assets:			
Loans	Head Office	$ 1,703,437	$ 1,998,262
Other assets	Head Office	45,893,108	110,713,754
Total related party assets		47,596,545	112,712,016
Liabilities and Head Office Equity:			
Demand deposits	Head Office	1,726,969	1,803,621
	Bci Administradora de Fondos Mutuos, S.A.	7,906	7,956
	Bci Factoring, S.A.	889	-
	Bci Corredora de Bolsa, S.A.	6,996	44,058
Time deposits	Bci Corredora de Bolsa, S.A.	100,000	100,000
Other unfunded commitments	Head Office	1,703,437	28,041
Other Payable	Bci Factoring, S.A.	11,541	-
Other liabilities	Head Office	163,196	312,197
Total related party liabilities		3,720,934	2,295,873
Head Office equity	Head Office	9,677,774	10,313,501
Total liabilities and Head Office equity		13,398,708	12,609,374
Net related party asset position		$ 34,197,837	$ 100,102,642
Interest income		$ 1,070	$ 1,756
Interest expense		$ 33,046	$ 18,211
Non-interest income		$ 2,316,570	$ 1,076,593
Non-interest expense		$ 957,284	$ 1,393,389

During 2003, the Branch entered into a repurchase agreement with Head Office and one of its subsidiaries, which states that certain loans amounting to $13,518,000 and $22,280,000 at December 31, 2004 and 2003, respectively, would be sold to Head Office if they became uncollectible.

During 2003, the Branch purchased without recourse two loans amounting to $5,752,105 from a related party in Chile. These loans bore an interest rate of 2.48% as of December 31, 2003.

In prior years, the Branch entered into interest rate swaps with Head Office. The Branch used these derivative financial instruments for the purpose of managing its exposure to adverse fluctuations in interest rates. Under interest rate swaps, the Branch that received a fixed rate in financial instruments hedged agreed to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. The terms of the interest rate swaps provided for the Branch to receive a floating rate of interest based on the London Interbank Offered Rate ("LIBOR") and to pay a fixed interest rate. See Note 11 for commissions income and expense related to these swaps.
The Branch was exposed to credit loss if: (i) the counterparty to the interest rate swaps had not performed or (ii) the floating interest rate received by the Branch had been less than the fixed interest rate paid by it.

(Expressed in U.S. Dollars)

The terms of the outstanding interest rate swaps at December 31, 2004 are as follows:

Contract Number	Maturity	Notional Amount	Fixed Rate	Index Floating Rate
1	January-06	$ 7,000,000	1.17%	30-day Libor
2	February-05	10,000,000	1.15%	180-day Libor
		$ 17,000,000		

3. Allowance for Loan Losses

At December 31, 2004 and 2003, the Branch held provisions for doubtful assets amounting to $2,156,668 and $1,220,500, respectively, corresponding to the minimum requirements of the Banking Superintendency for covering potential losses. Changes in these provisions during 2004 and 2003 were as follows:

	Allowance for		
	Loans	Other Assets	Total
Balance, December 31, 2002	$ 908,000	$ -	$ 908,000
Provision charged to operations	312,500	-	312,500
Net charge-offs	-	-	-
Balance, December 31, 2003	1,220,500	-	1,220,500
Provision charged to operations	936,168	-	936,168
Net charge-offs	-	-	-
Balance, December 31, 2004	$ 2,156,668	$ -	$ 2,156,668

Based on the evaluation of available information, it is the opinion of the Branch's management that the above provisions are sufficient to cover possible losses in the loan portfolio.

At December 31, 2004 and 2003, the Branch had a non-accrual loan totaling $1,666,668 to a borrower located in Brazil. If interest on these loans had been accrued since the last interest payment, interest income would have been increased by $176,000 and $37,000 for the year ended December 31, 2004 and 2003, respectively.

(Expressed in U.S. Dollars)

The Branch has initiated legal actions against the borrower described above. The ultimate outcome of the litigation cannot presently be determined. In the opinion of management and counsel, this matter, when resolved, will not have a material adverse effect on the financial position and results of operations of the Branch.

4. Head Office Equity

The following summarizes the activity in Head Office equity during the years ended December 31, 2004 and 2003:

	Assigned Capital	Accumulated Losses	Other Equity Accounts	Total Head Office Equity
Balance, December 31, 2002	$ 13,413,389	$ (1,416,533)	$ 17,360	$ 12,014,216
Net loss	-	(1,627,007)	-	(1,627,007)
Change in fair value of permanent investment securities	-	-	(73,708)	(73,708)
Balance, December 31, 2003	13,413,389	(3,043,540)	(56,348)	10,313,501
Net loss	-	(777,154)	-	(777,154)
Change in fair value of permanent investment securities	-	-	141,427	141,427
Balance, December 31, 2004	$ 13,413,389	$ (3,820,694)	$ 85,079	$ 9,677,774

(Expressed in U.S. Dollars)

5. Investment Securities

The amortized cost and estimated fair value of investment securities at December 31, 2004 and 2003 are summarized as follows.

Permanent	Amortized Cost	Net Unrealized Gains (Losses)	Fair Value
December 31, 2004			
Foreign Government securities	$ 227,674	$ -	$ 227,674
Foreign Corporate debt	3,416,164	(80,957)	3,335,207
	$ 3,643,838	$ (80,957)	$ 3,562,881
December 31, 2003			
Foreign Government securities	$ 13,565,592	$ (28,474)	$ 13,537,118
Foreign Corporate debt	5,062,458	(27,874)	5,034,584
	$ 18,628,050	$ (56,348)	$ 18,571,702

Non-permanent	Amortized Cost	Net Unrealized Gains (Losses)	Fair Value
December 31, 2004			
Foreign Government and private securities	$ 38,081,249	$ 260,355	$ 38,341,604
U.S. Treasury securities	2,546,975	(1,211)	2,545,764
U.S. Government Agencies	24,898,206	(186,356)	24,711,850
Foreign Corporate debt	90,049	-	90,049
U.S. Corporate debt	18,563	-	18,563
	$ 65,635,042	$ 72,788	$ 65,707,830
December 31, 2003			
Foreign Government and private securities	$ 32,209,326	$ 98,956	$ 32,308,282
U.S. Treasury securities	14,305,411	108	14,305,519
Foreign Corporate debt	10,181,247	76,635	10,257,882
U.S. Corporate debt	765,671	624	766,295
	$ 57,461,655	$ 176,323	$ 57,637,978

(Expressed in U.S. Dollars)

Securities sold under repurchase agreements	Amortized Cost	Net Unrealized Gains (Losses)	Fair Value
December 31, 2004			
Foreign Government and privatesecurities	$ 10,553,664	$ 139,836	$ 10,693,500
U.S. Treasury securities	2,397,000	-	2,397,000
Foreign Corporate debt	16,625,698	147,207	16,772,905
U.S. Corporate debt	3,005,797	(35,287)	2,970,510
	$ 32,582,159	$ 251,756	$ 32,833,915
December 31, 2003			
U.S. Treasury securities	$ 10,687,000	$ -	$ 10,687,000

6. Structured Certificates of Deposit

In prior years, the Branch issued to its customers a 3.5-year Principal Guaranteed Indexed Linked Nonnegotiable Certificate of deposit in an amount of $10,000,000 included in Time deposits. These certificates pay principal and interest at maturity and payment of interest is directly contingent upon the performance of the NASDAQ-100 index, with a guaranteed minimum of 5% flat total interest payable. At the same time, the Branch entered into an option contract with Canadian Imperial Bank of Commerce (CIBC) with a notional amount equal to the amount of structured deposits issued to the customers that entitled the Branch to receive payments based on identical terms and conditions included in the structured deposits.

During 2003, the Branch issued to its customers a three-year 100% Principal Guaranteed Indexed Linked Nonnegotiable Certificate of deposit in an amount of $15,794,000 included in Time deposits. These certificates pay principal and interest at maturity and payment of interest is directly contingent upon the performance of the Standard & Poor 500 index, with a guaranteed minimum of 1.5% flat total interest payable. At the same time, the Branch entered into two option contracts with Bear, Stearns & Co. Inc. with a notional amount equal to the amount of structured deposits issued to the customers that entitled the Branch to receive payments based on identical terms and conditions included in the structured deposits.

During 2004, the Branch issued to its customers a three-year 100% Principal Guaranteed Indexed Linked Nonnegotiable Certificate of deposit in an amount of $8,234,000 included in Time deposits. These certificates pay principal and interest at maturity and payment of interest is directly contingent upon the performance of the Dow Jones Global Titan 50 index, with a guaranteed minimum of 5% flat total interest payable. At the same time, the Branch entered into an option contract with Societe Generale Americas Securities, LLC with a notional amount equal to the amount of structured deposits issued to the customers that entitled the Branch to receive payments based on identical terms and conditions included in the structured deposits.

(Expressed in U.S. Dollars)

7. Maturities of Assets and Liabilities

Maturities of Loans and Investments
The following is a summary of loans and financial investments at December 31, 2004 classified by the remaining term to maturity. The amounts include accrued interest to the year-end.

	Up to one year	1-3 years	3-6 years	Over 6 years	Total
Loans					
Commercial and industrial	$ 75,793,096	$ 18,133,258	$ 21,686,184	$ -	$ 115,612,538
Trade related	8,305,115	-	-	-	8,305,115
Consumer	2,190,031	-	-	-	2,190,031
Investments					
Time deposits due from banks and related institutions	650,976	-	-	-	650,976
Permanent investment securities	2,021,840	7,703,618	5,297,422	-	15,022,880
Non-permanent investment securities	60,631,366	13,611,488	12,838,892	-	87,081,746
	$ 149,592,424	$ 39,448,364	$ 39,822,498	$ -	$ 228,863,286

At December 31, 2004, foreign corporate debt held in non-permanent investment securities with fair value of approximately $15,827,964 and commercial loans of approximately $49,460,514 vary interest rates on a quarterly basis.

The above schedule includes assets with maturities falling within the periods indicated and consequently does not include contingent assets and other assets.

Maturities of Deposits and Other Funding Operations
The following is a summary of deposits and other obligations at December 31, 2004, classified by the remaining term to maturity. The amounts include accrued interest to the year-end.

	Up to one year	1-3 years	3-6 years	Over 6 years	Total
Deposits and Other Obligations					
Time deposits	$ 233,185,617	$ 36,164,568	$ 22,699,727	$ -	$ 292,049,912
Obligations under repurchase agreements	29,263,960	-	-	-	29,263,960
Other term obligations	1,003,655	-	-	-	1,003,655
	$ 263,453,232	$ 36,164,568	$ 22,699,727	$ -	$ 322,317,527

The above schedule excludes all sight obligations, contingent liabilities and other liabilities.

8. Foreign Currency Transactions

Substantially all of the balances of the Branch are denominated in United States dollars.

9. Derivative Products

The Branch has two interest rate swaps with head office (see Note 2) and four options with third parties (see Note 6).

10. Memorandum Accounts

The Branch has recorded in its memorandum accounts the following commitments or obligations in the ordinary course of business.

	2004	2003
Securities in custody	$ 7,570,080	$ 13,115,915
Unconfirmed letters of credit	$ 1,897,134	$ 2,690,522
Interest rate swaps (notional value)	$ 17,000,000	$ 34,000,000
Options (notional value)	$ 34,028,000	$ 25,794,000

The above includes only the most significant balances. Contingent assets and liabilities are shown in the Statement of Assets, Liabilities and Head Office Equity.

The Branch leases its office space and other property under various operating leases. The total future minimum annual lease payments under operating lease agreements are as follows:

Years ending December 31,	Minimum Rental Payments
2005	$ 250,668
2006	258,188
2007	265,894
2008	273,878
2009 and thereafter	1,497,880
	$ 2,546,508

Rent expense was approximately $251,000 for the year ended December 31, 2004 and $170,000 for the year ended December 31, 2003.

(Expressed in U.S. Dollars)

11. Commissions and Other Income, and Commission Expense

The amounts of commission and other income and commission expense as shown in the Statement of Operations, relate to the following:

	2004		2003	
	Income	Expense	Income	Expense
Other income from other assets	$ 1,953,528	$ -	$ 612,020	$ -
Derivative instruments	331,512	957,284	433,048	1,393,389
Letters of credit, guarantees and other contingent operations	175,467	-	241,105	-
Checks and funds transfers	114,396	-	71,311	-
Loan processing fees and commissions	140,725	-	46,567	-
Account service charges	34,626	-	40,129	-
Securities held for customers	17,170	-	15,289	-
Other	95,154	42,456	42,909	34,000
Total	$ 2,862,578	$ 999,740	$ 1,502,377	$ 1,427,389

12. Directors' Expenses

There were no Director expenses paid by the Branch in 2004 and 2003.

13. Income Taxes

In 2004, the Branch did not generate U.S. taxable income. The major permanent differences between the results in operations and U.S. taxable income are non-effectively connected income and interest expense disallowance. At December 31, 2004, the Branch had federal tax loss carryforwards available to reduce future taxable income of approximately $6,813,000.

The net operating loss carryforwards will expire as follows:

Year of Expiration	
2019	$ 2,793,000
2020	1,212,000
2021	1,076,000
2022	232,000
2023	1,257,000
2024	243,000
	$ 6,813,000

Management has determined that based on the weight of available evidence, that it is more likely than not that some portion or all of the deferred tax asset will not be realized, therefore, a valuation allowance has been established to offset the deferred tax asset.

14. Regulatory Matters

The State of Florida's Department of Banking and Finance requires international banking branches to maintain assets, excluding accrued income and amounts due from affiliates, equal to 107% of liabilities, as defined by the Department ("Asset Maintenance Requirements"). As an alternative, the Department may, by rule, permit an international banking Branch to maintain dollar deposits or investment securities ("Capital Equivalency"), in an amount specified by the Department, in a state bank. The amount of such dollar deposits or investment securities shall equal, at a minimum, the greater of $4,000,000 or 7% of the international banking Branch's total liabilities, as defined by the Department. Effective January 1, 2003, the Branch was authorized to change from Capital Equivalency to Asset Maintenance Requirements. At December 31, 2004 and 2003, the Branch was in compliance with the Asset Maintenance Requirements.

15. Employee Benefit Plan

The Branch has implemented a 401(k) profit sharing and retirement plan. Employees who are 21 years of age and who have completed three months of service are eligible to participate as of the entry date (January 1 and July 1 of each calendar year). The Branch made total contributions of $31,000 and $30,000 during 2004 and 2003, respectively.

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