Banco de Credito e Inversiones, S.A.,
Miami Branch
Financial Statements
December 31, 2005 and 2004

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, 2005 and 2004, 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 24, 2006

Banco de Credito e Inversiones, S.A., Miami Branch
Statements of Assets, Liabilities and Head Office Equity
(Expressed in U.S. Dollars)
December 31, 2005 and 2004

	2005	2004
Assets		
Cash and due from banks	$ 1,867,021	$ 1,702,568
Federal funds sold and overnight	87,481,646	91,145,117
Cash and banks	89,348,667	92,847,685
Loans:		
Commercial and industrial	130,788,983	115,612,538
Trade related	17,839,187	8,305,115
Consumer	5,825,107	2,190,031
Contingencies	17,070,170	16,452,716
Other debtors	2,252	-
	171,525,699	142,560,400
Allowance for loan losses	(1,470,000)	(2,156,668)
Loans, net	170,055,699	140,403,732
Investments:		
Time deposits due from banks	4,152,023	650,976
Non-permanent investment securities	108,259,812	65,707,830
Permanent investment securities	6,319,247	3,562,881
Securities sold under repurchase agreements	8,836,000	32,833,915
Shares received in lieu of payment	234,184	-
	127,801,266	102,755,602
Premises and equipment, net	367,827	352,898
Other assets	292,397,288	50,199,188
	$ 679,970,747	$ 386,559,105
Liabilities and Head Office Equity		
Deposits and other commitments:		
Demand deposits	$ 46,327,235	$ 35,381,952
Time deposits	397,253,854	292,049,912
Obligations under repurchase agreements	8,836,000	29,263,960
Other sight and term obligations	66,887	1,003,655
Other unfunded commitments	17,552,240	16,452,716
Other payables	13,444	21,470
Total deposits and other commitments	470,049,660	374,173,665
Borrowings from financial institutions	191,337,072	-
Other liabilities	3,656,319	2,707,666
Total liabilities	665,043,051	376,881,331
Head Office equity:		
Assigned capital	19,413,389	13,413,389
Accumulated losses	(4,341,996)	(3,820,694)
Other equity accounts	(143,697)	85,079
Total Head Office equity	14,927,696	9,677,774
	$ 679,970,747	$ 386,559,105

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, 2005 and 2004

	2005	2004
Interest income		
Loans	$ 5,155,799	$ 1,697,231
Other	6,853,648	3,563,800
Total interest income	12,009,447	5,261,031
Commission and other income	5,179,055	2,862,578
Gain on sale of investment securities	264,216	1,162,956
Market value adjustment of investment securities	(244,144)	(17,814)
Total operating income	17,208,574	9,268,751
Interest expense	12,405,287	4,755,157
Commission expense	625,007	999,740
Loss on sale of investment securities	488,156	288,911
Total operating expenses	13,518,450	6,043,808
Gross margin	3,690,124	3,224,943
Salaries and employee benefits	1,828,911	1,655,734
Depreciation and amortization	142,639	159,309
Other general and administrative	1,494,060	1,250,886
Net margin	224,514	159,014
Provision for loan losses	745,816	936,168
Net loss	$ (521,302)	$ (777,154)

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, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Net loss	$ (521,302)	$ (777,154)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	142,639	159,309
Provision for loan losses	745,816	936,168
Net unrealized loss on investment securities	244,144	17,814
Net premium amortization on investment securities	972,098	758,218
Gain on sale of investment securities	(264,216)	(1,162,956)
Loss on sale of investment securities	488,156	288,911
Changes in assets and liabilities		
Net change in interest on assets and liabilities	(729,551)	(433,925)
Other assets	(241,359,735)	62,965,596
Other liabilities	1,111,850	2,083,531
Other payables	(8,026)	(3,330)
Net cash (used in) provided by operating activities	(239,178,127)	64,832,182
Cash flows from investing activities		
Net proceeds from time deposits due from banks and related institutions	(3,480,338)	(493,575)
Net increase in investment securities	(22,172,871)	(14,296,435)
Net increase in loans	(29,139,077)	(57,737,444)
Capital expenditures, net	(202,058)	(337,640)
Net cash used in investing activities	(54,994,344)	(72,865,094)
Cash flows from financing activities		
Increase in demand deposits	10,940,688	7,221,677
Increase in time deposits	105,068,209	79,023,233
Increase in Assigned Capital	6,000,000	-
Decrease in other sight and term obligations	(928,677)	(39,522,605)
(Decrease) increase in obligations under repurchase agreements	(20,406,767)	18,555,767
Increase in borrowings from financial institutions	190,000,000	-
Net cash provided by financing activities	290,673,453	65,278,072
Net (decrease) increase in cash and due from banks	(3,499,018)	57,245,160
Cash and banks, beginning of the year	92,847,685	35,602,525
Cash and banks, end of the year	$ 89,348,667	$ 92,847,685

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) gain of $143,697 and $85,079 for the years ended December 31, 2005 and 2004, 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 $244,144 and $17,814 for the years ended December 31, 2005 and 2004, respectively, and are included in operating income 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. During 2005, the Branch adopted the provisions of Rule 7-10 to estimate the allowance for loan losses.

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 on 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 and foreign exchange rates. Commissions received or paid on swaps are 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, except for foreign exchange forward contracts, is not recognized in the results of operations of the Branch as permitted by regulations issued by the Banking Superintendency.

Borrowings from Financial Institutions
Borrowings from financial institutions are stated at the amount of unpaid principal plus accrued interest.

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.

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, 2005 and 2004 are as follows:

	Entity	2005	2004
Assets:			
Loans	Head Office	$ 2,985,824	$ 1,703,437
	Bci Factoring, S.A.	380,593	-
Other assets	Head Office	292,380,036	45,893,108
Total related party assets		295,746,453	47,596,545
Liabilities and Head Office Equity:			
Demand deposits	Head Office	13,159,045	1,726,969
	Bci Administradora de Fondos Mutuos, S.A.	7,886	7,906
	Bci Factoring, S.A.	-	889
	Bci Corredora de Bolsa, S.A.	5,433	6,996
Time deposits	Bci Corredora de Bolsa, S.A.	100,000	100,000
Other unfunded commitments	Head Office	2,985,824	1,703,437
Other Payable	Bci Factoring, S.A.	-	11,541
Other liabilities	Head Office	5,141,165	163,196
Total related party liabilities		21,399,353	3,720,934
Head Office equity	Head Office	14,927,696	9,677,774
Total liabilities and Head Office equity		36,327,049	13,398,708
Net related party asset position		$ 259,419,404	$ 34,197,837
Interest income		$ 4,136,567	$ 1,070
Interest expense		$ 96,340	$ 33,046
Non-interest income		$ 310,868	$ 2,316,570
Non-interest expense		$ 409,772	$ 957,284

In prior years, the Branch entered into a repurchase agreement with Head Office and one of its subsidiaries, which states that certain loans amounting to $8,635,000 and $13,518,000 at December 31, 2005 and 2004, respectively, would be sold to Head Office if they became uncollectible.

During 2005, 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 receives 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 12 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, 2005 are as follows:

Contract Number	Maturity	Notional	Pay Fixed Rate	Receive Floating Rate
1	January-06	$ 7,000,000	4.720%	30-day Libor
2	October-10	3,693,233	4.530%	30-day Libor
3	December-10	1,593,668	4.770%	30-day Libor
4	December-10	2,067,714	4.795%	30-day Libor
		$ 14,354,615		

Interest rate swaps outstanding during the year had the effect of decreasing net interest income by approximately $118,000 for the year ended December 31, 2005.

Additionally, during 2005 the Branch entered into foreign exchange forward contracts with Head Office. The Branch uses these contacts for the purpose of managing its exposure to adverse fluctuations in foreign currencies of certain investments. Under the foreign exchange forward contacts, the Branch will receive at maturity a predetermined amount of US Dollars converted at a foreign exchange rate established in the contract.

The terms of the outstanding foreign exchange contacts at December 31, 2005 are as follows:

Contract Number	Maturity	Notional	Exchange Rate	Notional Foreign Currency	Foreign Currency
1	January-06	$ 39,984,733	576.42	23,048,000,000	Chilean Pesos
2	May-06	2,081,912	582.35	1,212,401,665	Chilean Pesos
		$ 42,066,646			

(Expressed in U.S. Dollars)

3. Allowance for Loan Losses

At December 31, 2005 and 2004, the Branch held provisions for doubtful assets amounting to $1,470,000 and $2,156,668, respectively, corresponding to the minimum requirements of the Banking Superintendency for covering potential losses. Changes in these provisions during 2005 and 2004 were as follows:

	Allowance for		
	Loans	**Other Assets**	**Total**
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
Provision charged to operations	672,915	-	672,915
Net charge-offs	(1,359,583)	-	(1,359,583)
Balance, December 31, 2005	$ 1,470,000	$ -	$ 1,470,000

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, 2005 and 2004, the Branch had non-accrual loans totaling $100,000 and $1,666,668 to borrowers located in USA and Brazil, respectively. If interest on these loans had been accrued since the last interest payment, interest income would have been increased by approximately $159,000 and $176,000 for the years ended December 31, 2005 and 2004, respectively.

During 2005, the Branch received 95,344 shares equivalent to $307,084 in lieu of partial payment of a loan charged off during the year. As of December 31, 2005, the shares are recorded in investment securities at market value.

(Expressed in U.S. Dollars)

4. Head Office Equity

The following summarizes the activity in Head Office equity during the years ended December 31, 2005 and 2004:

	Assigned Capital	Accumulated Losses	Other Equity Accounts	Total Head Office Equity
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
Capital contribution	6,000,000	-	-	6,000,000
Net loss	-	(521,302)	-	(521,302)
Change in fair value of permanent investment securities	-	-	(228,776)	(228,776)
Balance, December 31, 2005	$ 19,413,389	$ (4,341,996)	$ (143,697)	$ 14,927,696

5. Investment Securities

The amortized cost and estimated fair value of investment securities at December 31, 2005 and 2004 are summarized as follows:

Permanent	Amortized Cost	Net Unrealized Losses	Fair Value
December 31, 2005			
Foreign Corporate debt	$ 6,462,944	$ (143,697)	$ 6,319,247
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

(Expressed in U.S. Dollars)

Non-permanent	Amortized Cost	Net Unrealized Gains (Losses)	Fair Value
December 31, 2005			
Foreign Government and private securities	$ 66,915,140	$ 68,165	$ 66,983,305
U.S. Treasury securities	10,020,696	(13,725)	10,006,971
U.S. Government Agencies	21,443,415	(140,074)	21,303,341
Auction rate securities	9,966,195	-	9,966,195
Shares received in lieu of payment	307,084	(72,900)	234,184
	$ 108,652,530	$ (158,534)	$ 108,493,996
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

Securities sold under repurchase agreements	Amortized Cost	Net Unrealized Gains (Losses)	Fair Value
December 31, 2005			
U.S. Treasury securities	$ 8,836,000	$ -	$ 8,836,000
December 31, 2004			
Foreign Government and private securities	$ 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

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.

Also, in prior years 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 2005, certificates of deposit in an amount of $960,000 and their related options were liquidated at the current market value at the time of liquidation reducing the balance outstanding as of December 31, 2005 to $14,834,000.

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.

7. Borrowings from Financial Institutions

On November 4, 2005, Head Office acting through the Branch entered into a credit agreement with a group of financial institutions to receive $190,000,000. The facility that matures on November 4, 2005 bears an interest rate equal to six-month LIBOR plus 25 basis points.

(Expressed in U.S. Dollars)

8. Maturities of Assets and Liabilities

Maturities of Loans and Investments

The following is a summary of loans and investments at December 31, 2005 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	$ 83,407,805	$ 38,929,109	$ 8,452,609	$ -	$ 130,789,523
Trade related	17,839,187	-	-	-	17,839,187
Consumer	5,825,107	-	-	-	5,825,107
Contingencies	13,981,534	1,725,000	1,363,636	-	17,070,170
Other debtors	2,252	-	-	-	2,252
Investments					
Time deposits due from banks and related institutions	4,152,023	-	-	-	4,152,023
Permanent investment securities	-	6,319,247	-	-	6,319,247
Non-permanent investment securities	56,121,001	30,139,341	20,869,274	9,966,195	117,095,811
Shares received in lieu of payment	234,184	-	-	-	234,184
	$ 181,563,093	$ 77,112,697	$ 30,685,520	$9,966,195	$ 299,327,504

At December 31, 2005, foreign corporate debt held in non-permanent investment securities with a fair value of approximately $36,000,000 and loans of approximately $45,000,000 are floating instruments, which bear interest at rates that are adjusted primarily on a quarterly basis based on LIBOR.

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

(Expressed in U.S. Dollars)

Maturities of Deposits and Other Obligations
The following is a summary of deposits and other obligations at December 31, 2005, 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	$ 370,526,620	$ 26,155,026	$ 572,208	$ -	$ 397,253,854
Obligations under repurchase agreements	8,836,000	-	-	-	8,836,000
Other term obligations	66,887	-	-	-	66,887
Borrowings from financial institutions	1,337,072	-	190,000,000	-	191,337,072
	$ 380,766,579	$ 26,155,026	$ 190,572,208	$ -	$ 597,493,813

The above schedule excludes all demand deposits, unfunded commitments, sight obligations, contingent liabilities and other liabilities.

9. Foreign Currency Balances

Balances denominated in foreign exchange currencies translated into US dollars using exchange rates at December 31, 2005 are as follows:

Assets	
Cash and due from banks	$ 997,000
Investments:	
Time deposits due from banks	4,152,000
Non-permanent investment securities	46,319,000
Other assets	704,000
Total Assets	$ 52,172,000
Liabilities and Head Office Equity	
Deposits and other commitments:	
Demand deposits	$ 993,000
Time deposits	4,856,000
Other commitments	47,180,000
Total Liabilities and Commitments	$ 53,029,000
Net liability position	$ (857,000)

(Expressed in U.S. Dollars)

10. Derivative Instruments

At December 31, 2005 and 2004, the Branch has the following derivative instruments:

	Number of Contracts	Notional amount: Up to 3 Months	Notional amount: Over 3 Months	Total	
December 31, 2005					
Options	4	$ -	$ 33,068,000	$ 33,068,000	See Note 6
Interest Rate Swaps	4	7,000,000	7,354,615	14,354,615	See Note 2
Foreign Exchange Forward contract	2	-	42,066,646	42,066,646	See Note 2
		$ 7,000,000	$ 49,421,261	$ 56,421,261	
December 31, 2004					
Options	4	$ -	$ 34,028,000	$ 34,028,000	See Note 6
Interest Rate Swaps	2	10,000,000	7,000,000	17,000,000	See Note 2
		$ 10,000,000	$ 41,028,000	$ 51,028,000	

11. Memorandum Accounts

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

	2005	2004
Securities in custody	$ 6,825,800	$ 7,570,100
Unconfirmed letters of credit	$ 6,861,000	$ 1,897,100
Interest rate swaps (notional value)	$ 14,354,615	$ 17,000,000
Options (notional value)	$ 33,068,000	$ 34,028,000

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

(Expressed in U.S. Dollars)

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
2006	$ 278,200
2007	283,000
2008	288,100
2009	293,500
2010 and thereafter	1,004,000
	$ 2,146,800

Rent expense was approximately $305,000 for the year ended December 31, 2005 and $251,000 for the year ended December 31, 2004.

12. 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:

	2005		2004	
	Commissions and Other Income	Commissions Expense	Commissions and Other Income	Commissions Expense
Other income from other assets	$ 4,136,567	$ -	$ 1,953,528	$ -
Derivative instruments	291,033	409,772	331,512	957,284
Letters of credit, guarantees and other contingent operations	254,173	-	175,467	-
Checks and funds transfers	120,336	-	114,396	-
Loan processing fees and commissions	219,640	-	140,725	-
Account service charges	46,682	-	34,626	-
Securities held for customers	4,962	-	17,170	-
Foreign exchange gain or loss	7,709	176,659	6,437	-
Other	97,953	38,576	88,717	42,456
Total	$ 5,179,055	$ 625,007	$ 2,862,578	$ 999,740

13. Directors' Expenses

There were no Director expenses paid by the Branch in 2005 and 2004.

(Expressed in U.S. Dollars)

14. Income Taxes

In 2005, 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, 2005, the Branch had federal tax loss carryforwards available to reduce future taxable income of approximately $9,200,000.

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	449,000
2025	2,181,000
	$ 9,200,000

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 amounting to $3,199,224.

15. 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. At December 31, 2005 and 2004, the Branch was in compliance with the Asset Maintenance Requirements.

16. 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 approximately $32,000 and $31,000 during 2005 and 2004, respectively.

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