Banco de Credito e Inversiones, S.A.,
Miami Branch
Financial Statements
December 31, 2006 and 2005

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, 2006 and 2005, 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.

PricewaterhouseCoopers LLP

January 18, 2007

Banco de Credito e Inversiones, S.A., Miami Branch
Statements of Assets, Liabilities and Head Office Equity
(Expressed in U.S. Dollars)
December 31, 2006 and 2005

	2006	2005
Assets		
Cash and due from banks	$ 4,394,774	$ 1,867,021
Federal funds sold and overnight	48,492,952	87,481,646
Cash and banks	52,887,726	89,348,667
Loans:		
Commercial and industrial	194,281,535	130,788,983
Trade related	39,936,007	17,839,187
Consumer	10,050,910	5,825,107
Contingencies	15,777,938	17,070,170
Other debtors	590	2,252
	260,046,980	171,525,699
Allowance for loan losses	(1,899,000)	(1,470,000)
Loans, net	258,147,980	170,055,699
Investments:		
Trading	50,844,690	121,482,019
Available for sale	40,150,152	6,319,247
	90,994,842	127,801,266
Premises and equipment, net	351,309	367,827
Derivative financial instruments	588,945	3,158,415
Other assets	279,541,279	294,267,779
Total Assets	$ 682,512,081	$ 684,999,653
Liabilities and Head Office Equity		
Deposits and other commitments:		
Demand deposits	$ 38,439,868	$ 46,327,235
Time deposits	374,150,448	397,253,854
Obligations under repurchase agreements	13,749,000	8,836,000
Other sight and term obligations	119,071	66,887
Other unfunded commitments	16,848,139	17,552,240
Other payables	4,796	13,444
Total deposits and other commitments	443,311,322	470,049,660
Borrowings from financial institutions	221,024,332	191,337,072
Derivative Financial Instruments	42,320	5,093,434
Other liabilities	877,446	3,591,791
Total liabilities	665,255,420	670,071,957
Head Office equity:		
Assigned capital	19,413,389	19,413,389
Accumulated losses	(2,138,627)	(4,341,996)
Other equity accounts	(18,101)	(143,697)
Total Head Office equity	17,256,661	14,927,696
	$ 682,512,081	$ 684,999,653

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, 2006 and 2005

	2006	2005
Interest income		
Loans	$ 11,318,386	$ 5,155,799
Other	9,867,987	6,853,648
Total interest income	21,186,373	12,009,447
Commission and other income	15,286,977	5,179,055
Gain on sale of investment securities	9,779	264,216
Gain on sale of hedged investment securities	3,677,033	-
Gain on sale of foreign exchange contract	450,629	-
Market value adjustment of investment securities	237,316	(244,144)
Total operating income	40,848,107	17,208,574
Interest expense	29,652,198	12,405,287
Commission expense	402,555	625,007
Loss on sale of investment securities	-	488,156
Loss on sale of hedged investment securities	447,335	-
Loss on sale of foreign exchange contract	3,677,033	-
Total operating expenses	34,179,121	13,518,450
Gross margin	6,668,986	3,690,124
Salaries and employee benefits	2,199,357	1,828,911
Depreciation and amortization	149,875	142,639
Other general and administrative	1,592,426	1,494,060
Net margin	2,727,328	224,514
Provision for loan losses	523,959	745,816
Net income (loss)	$ 2,203,369	$ (521,302)

Banco de Credito e Inversiones, S.A., Miami Branch
Statements of Cash Flows
(Expressed in U.S. Dollars)
Years Ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Net gain (loss)	$ 2,203,369	$ (521,302)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	149,875	142,639
Provision for loan losses	523,959	745,816
Net unrealized (gain) loss on investment securities	(237,316)	244,144
Net premium amortization on investment securities	363,558	972,098
Gain on sale of investment securities	(3,686,812)	(264,216)
Loss on sale of investment securities	447,335	488,156
Changes in assets and liabilities		
Net change in interest on assets and liabilities	(445,026)	(729,551)
Other assets	12,446,140	(241,359,735)
Other liabilities	(2,936,349)	1,111,850
Other payables	(8,648)	(8,026)
Net cash provided by (used in) operating activities	8,820,085	(239,178,127)
Cash flows from investing activities		
Net increase (decrease) in investment securities	38,555,457	(25,653,209)
Net increase in loans	(87,647,159)	(29,139,077)
Capital expenditures, net	(133,357)	(202,058)
Net cash used in investing activities	(49,225,059)	(54,994,344)
Cash flows from financing activities		
(Decrease) increase in demand deposits	(7,884,348)	10,940,688
(Decrease) increase in time deposits	(23,168,775)	105,068,209
Increase in Assigned Capital	-	6,000,000
Increase (decrease) in other sight and term obligations	33,222	(928,677)
Increase (decrease) in obligations under repurchase agreements	4,913,000	(20,406,767)
Increase in borrowings from financial institutions	30,050,934	190,000,000
Net cash provided by financing activities	3,944,033	290,673,453
Net decrease in cash and due from banks	(36,460,941)	(3,499,018)
Cash and banks, beginning of the year	89,348,667	92,847,685
Cash and banks, end of the year	$ 52,887,726	$ 89,348,667

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.

Trading Securities

On December 20, 2005, the Banking Superintendency issued Circular Letter No. 3345 establishing the new accounting standards for valuation of financial securities acquired for trading or investment, derivatives, book hedging and retirement of financial assets from the balance sheet.

The same letter requires that debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in the statement of operations.

Since adoption of Circular Letter No. 3345, financial instruments utilized in trading activities are stated at fair value with realized and unrealized gains and losses included in the statements of operations. In 2005, changes in the fair value of non permanent securities were recognized in the statement of operations. For comparative purposes, as of December 31, 2005 investment category “non-permanent” has been reflected as trading securities. There was no impact to net income resulting form these reclassifications.

Investment Securities

Circular Letter No. 3345 requires that debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost. Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of Head Office equity.

Since adoption of Circular Letter No. 3345 subsequent gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized directly in Head Office equity under “Other Equity Accounts”. Adjustments for unrealized gains and losses on securities classified as permanent as of December 31, 2005, were included in Head Office equity under “Other Equity Accounts”. For comparative purposes, as of December 31, 2005 investment category “permanent” has been reflected as available for sale in order to conform to classifications used for the year ended December 31, 2006. There was no impact to net income resulting form these reclassifications.

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

On December 20, 2005, the Banking Superintendency issued Circular Letter No. 3345 establishing the new accounting standards for valuation of financial securities acquired for trading or investment, derivatives, book hedging and retirement of financial assets from the balance sheet.

The same letter requires that all derivatives be recognized on the Balance Sheet at fair value. The Branch designates at inception whether the derivative contract is considered hedging or non-hedging for accounting purposes. Non-hedging derivatives held for trading purposes are included in the Branch's trading portfolio with changes in fair value reflected in earnings. As of December 31, 2006, the Branch did not have any non-hedging derivatives.

The Branch uses derivative financial instruments for the purpose of managing its exposure to adverse fluctuations in interest rates and foreign exchange rates. Fair value hedges are used to limit the Branch's exposure to total changes in the fair value of its fixed interest-earning assets or interest-bearing liabilities that are due to interest rate or foreign exchange volatility. Cash flow hedges are used to minimize the variability in cash flows of interest-earning assets or interest-bearing liabilities or forecasted transactions caused by interest rate or foreign exchange fluctuation. Changes in the fair value of derivatives designated for hedging activities are recorded in earnings or equity, depending on whether the hedging relationship satisfies the criteria for a fair value or cash flow hedge, respectively. No financial impact arose from the adoption of this circular letter.

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.

Reclassifications
Certain reclassifications have been made to the December 31, 2005 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, 2006 and 2005 are as follows:

	Entity	2006	2005
Assets:			
Loans	Head Office	$ 2,562,118	$ 2,985,824
	Bci Factoring, S.A.	57,464	380,593
Other assets	Head Office	276,400,061	292,380,036
	Bci Corredora de Bolsa, S.A.	353,259	-
Total related party assets		279,372,902	295,746,453
Liabilities and Head Office Equity:			
Demand deposits	Head Office	7,329,746	13,159,045
	Bci Administradora de Fondos Mutuos, S.A.	7,886	7,886
	Bci Corredora de Bolsa, S.A.	26,565	5,433
Time deposits	Bci Corredora de Bolsa, S.A.	-	100,000
Other unfunded commitments	Head Office	2,543,841	2,985,824
Other Payable	Bci Factoring, S.A.	3,530	-
Other liabilities	Head Office	22,947	5,141,165
Total related party liabilities		9,934,515	21,399,353
Head Office equity	Head Office	17,256,661	14,927,696
Total liabilities and Head Office equity		27,191,176	36,327,049
Net related party asset position		$ 252,181,726	$ 259,419,404
Interest income		$ 14,151,245	$ 4,136,567
Interest expense		$ 476,394	$ 96,340
Non-interest income		$ 37,756	$ 310,868
Non-interest expense		$ 15,781	$ 409,772

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 $1,351,000 and $8,635,000 at December 31, 2006 and 2005, respectively, would be sold to Head Office if they became uncollectible.

During 2005, the Branch entered into a series of interest rate swaps with Head Office. The Branch used these derivative financial instruments to manage its exposure to adverse fluctuations in interest rates. Under the terms of these interest rate swaps, the Branch agreed to exchange, at specified intervals, the difference between the fixed-rate of the hedged financial instrument 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 commission income and expense related to these swaps. No new swaps were entered in 2006.

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, 2006 are as follows:

Contract Number	Maturity	Notional	Pay Fixed Rate	Receive Floating Rate	Estimated Fair Value
1	October-10	$ 2,929,116	4.530%	30-day Libor	2,955,849
2	December-10	1,274,936	4.770%	30-day Libor	1,282,474
3	December-10	1,654,170	4.795%	30-day Libor	1,660,568
4	January-11	459,036	4.840%	30-day Libor	460,687
		$ 6,317,258			$ 6,359,578

Interest rate swaps outstanding during the year had the effect of increasing net interest income by approximately $25,000 for the year ended December 31, 2006.

3. Allowance for Loan Losses

At December 31, 2006 and 2005, the Branch held provisions for doubtful assets amounting to $1,899,000 and $1,470,000, respectively, corresponding to the minimum requirements of the Banking Superintendency for covering potential losses. Changes in these provisions during 2006 and 2005 were as follows:

	Allowance for		
	Loans	Other Assets	Total
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
Provision charged to operations	523,959	-	523,959
Loans charge off	(94,959)	-	(94,959)
Balance, December 31, 2006	$ 1,899,000	$ -	$ 1,899,000

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.

(Expressed in U.S. Dollars)

4. Head Office Equity

The following summarizes the activity in Head Office equity during the years ended December 31, 2006 and 2005:

	Assigned Capital	Accumulated Losses	Other Equity Accounts	Total Head Office Equity
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 investment available for sale	-	-	(228,776)	(228,776)
Balance, December 31, 2005	19,413,389	(4,341,996)	(143,697)	14,927,696
Capital contribution	-	-	-	-
Net gain	-	2,203,369		2,203,369
Change in fair value of investment available for sale	-	-	125,596	125,596
Balance, December 31, 2006	$ 19,413,389	$ (2,138,627)	$ (18,101)	$ 17,256,661

5. Investment Securities

The amortized cost and estimated fair value of investment securities at December 31, 2006 and 2005 are summarized as follows:

Trading

	Amortized	Gross Unrealized		Carrying
December 31, 2006	**Cost**	**Gains**	**Losses**	**Value**
U.S. Government sponsored entity	$ 30,193,765	$ -	$ (59,719)	$ 30,134,046
Foreign debt securities from private sector	20,499,244	211,400	-	20,710,644
	$ 50,693,009	$ 211,400	$ (59,719)	$ 50,844,690
December 31, 2005				
Foreign debt securities from private sector	$ 71,067,163	$ 273,199	$ (205,034)	$ 71,135,328
U.S. Government sponsored entity	30,279,415	-	(140,074)	30,139,341
U.S. Treasury securities	10,020,697	-	(13,726)	10,006,971
Student loan asset backed securities	9,966,195	-	-	9,966,195
Foreign Corporate Shares (ADR)	307,084	-	(72,900)	234,184
	$ 121,640,554	$ 273,199	$ (431,734)	$ 121,482,019

(Expressed in U.S. Dollars)

Available for Sale

December 31, 2006	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
U.S. Government sponsored entity	$ 15,024,636	$ -	$ (10,268)	$ 15,014,368
Student loan asset backed securities	19,994,194	-	-	19,994,194
Foreign debt securities from private sector	5,149,423	-	(7,833)	5,141,590
	$ 40,168,253	$ -	$ (18,101)	$ 40,150,152
December 31, 2005				
U.S. Treasury securities	$ 6,462,944	$ -	$ (143,697)	$ 6,319,247
	$ 6,462,944	$ -	$ (143,697)	$ 6,319,247

At December 31, 2006 and 2005, investment securities totaling $13,749,000 and $8,836,000 are pledged as collateral for securities sold under agreements to repurchase.

6. Structured Certificates of Deposit

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 $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. During 2006, certificates of deposit in an amount of $1,950,000 and their related options were liquidated at market value reducing the balance outstanding as of December 31, 2006 to $6,284,000.

During 2006, the Branch issued to its customers a thirty-month 100% Principal Guaranteed Indexed Linked Non-negotiable Certificate of deposit in an amount of $18,502,024 included in Time deposits. These certificates pay principal and interest at maturity and payment of interest is calculated based on 90% of the performance of the best performing strategy, with no guaranteed minimum interest payable. There are three strategies (aggressive, balanced, and conservative) which are linked to the Standard and Poor 500 Composite Return Price Index, the AGG Bond Exchange Traded Fund, the Dow Jones – AIG Commodity Index, and the HFRX Global Hedge Fund Index accordingly. At the same time, the Branch entered into an option contract with Bear, Stearns & Vo. 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.

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 borrow $190,000,000. The facility matures on November 4, 2010 and bears an interest rate equal to six-month LIBOR plus 25 basis points. This rate at December 31, 2006 equals 5.9%.

(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, 2006 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	$ 72,557,469	$ 17,743,686	$ 103,938,060	$ -	$ 194,239,215
Trade related	38,211,523	1,724,484	-	-	39,936,007
Consumer	10,032,368		18,542	-	10,050,910
Contingencies	13,289,302	1,250,000	1,238,636	-	15,777,938
Other debtors	590	-	-	-	590
Investments					
Trading investment	30,134,046	5,255,469	15,455,175	-	50,844,690
Available for sale investment	40,150,152	-	-	-	40,150,152
	$ 204,375,450	$ 25,973,639	$ 120,650,413	$ -	$ 350,999,502

At December 31, 2006, foreign corporate debt and US Government Agencies held in trading securities with a fair value of approximately $35,723,244 and loans of approximately $ 146,843,297 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.

Maturities of Deposits and Other Obligations

The following is a summary of deposits and other obligations at December 31, 2006, 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	$ 349,246,244	$ 23,308,707	$ 1,006,552	$ -	$ 373,561,503
Obligations under repurchase agreements	13,749,000	-	-	-	13,749,000
Other term obligations	119,071	-	-	-	119,071
Borrowings from financial institutions	30,126,636	897,696	190,000,000	-	221,024,332
	$ 393,240,951	$ 24,206,403	$ 191,006,552	$ -	$ 608,453,906

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

(Expressed in U.S. Dollars)

9. Foreign Currency Balances

Balances denominated in foreign exchange currencies translated into US dollars using exchange rates at December 31, 2006 are as follows:

Assets		
Cash and due from banks	$	753,428
Loans:		
Trade related	$	922,550
Investments:		
Time deposits due from banks		86,293
Other assets		20,637,655
Total assets	$	22,399,926
Liabilities and Head Office Equity		
Deposits and other commitments:		
Demand deposits	$	725,071
Time deposits		2,258,986
Borrowings from financial institution		19,360,354
Total liabilities and commitments	$	22,344,411
Net liability position	$	55,515

10. Derivative Instruments

At December 31, 2006 and 2005, the Branch has the following derivative instruments:

	Flow hedge (FH) or Fair Value (FV)	Notional amount		Gross Unrealized	
		Up to 3 Months	Over 3 Months	Gain	Loss
December 31, 2006					
(1) Structured CD Options	FV	$ -	$ 24,786,024	$ 680,306	$ (91,362)
(2) Interest Rate Swaps	FV	-	6,317,258	42,320	-
		$ -	$ 31,103,282	$ 722,626	$ (91,362)
December 31, 2005					
(1) Structured CD Options	FV	$ -	$ 33,068,000	$ 3,222,943	$ -
(2) Interest Rate Swaps	FV	7,000,000	7,354,615	14,986	(6,710)
(2) Foreign Exchange Forward contract	FV	-	42,066,646	5,093,434	(5,089,332)
		$ 7,000,000	$ 82,489,261	$ 8,331,363	$ (5,096,042)

(1) See note 6

(2) See note 2

(Expressed in U.S. Dollars)

11. Memorandum Accounts

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

	2006	2005
Securities in custody	$ 9,531,034	$ 6,825,800
Unconfirmed letters of credit	$ 526,146	$ 6,861,000
Interest rate swaps (notional value)	$ 6,317,258	$ 14,354,615
Options (notional value)	$ 24,786,024	$ 33,068,000

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
2007	$ 284,387
2008	289,488
2009	294,563
2010	290,589
2011 and thereafter	713,475
	$ 1,872,502

Rent expense was approximately $ 282,000 for the year ended December 31, 2006 and $305,000 for the year ended December 31, 2005.

(Expressed in U.S. Dollars)

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:

	2006		2005	
	Commissions and Other Income	Commissions Expense	Commissions and Other Income	Commissions Expense
Income on placement with Head Office	$ 13,789,370	$ -	$ 4,136,567	$ -
Derivative instruments	362,413	336,461	291,033	409,772
Letters of credit, guarantees and other contingent operations	283,105	-	254,173	-
Checks and funds transfers	115,895	-	120,336	-
Loan processing fees and commissions	247,724	-	219,640	-
Account service charges	85,448	-	46,682	-
Securities held for customers	3,988	-	4,962	-
Foreign exchange gain or loss	18,464	-	7,709	176,659
Other	380,570	66,094	97,953	38,576
Total	$ 15,286,977	$ 402,555	$ 5,179,055	$ 625,007

13. Directors' Expenses

There were no Director expenses paid by the Branch in 2006 and 2005.

14. Income Taxes

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, 2006, the Branch had federal tax loss carryforwards available to reduce future taxable income of approximately $7,856,000.

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	837,000
	$ 7,856,000

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 $3,301.913.

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, 2006 and 2005, 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 during 2006 and 2005, respectively.

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