Banco de Credito e Inversiones, S.A., Miami Branch

Financial Statements
December 31, 2010 and 2009

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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 comprehensive income, of changes in Head Office equity 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, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. 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 29, 2011

PricewaterhouseCoopers LLP, 1441 Brickell Avenue, Suite 1100, Miami, FL 33131
T: (305) 375 7400, F: (305) 375 6221, www.pwc.com/us

Banco de Credito e Inversiones, S.A., Miami Branch
Statements of Assets, Liabilities and Head Office Equity
December 31, 2010 and 2009

	2010	2009
Assets		
Cash and due from banks	$ 34,164,568	$ 4,501,325
Federal funds sold and overnight investments	358,526,112	420,653,032
Time deposits due from related institutions	50,890,066	88,795,322
Total cash and cash equivalents	443,580,746	513,949,679
Time deposits due from related institutions with original maturities in excess of 90 days	471,615,709	419,333,558
Securities available for sale	8,530,295	8,382,005
Loans, net	384,971,610	267,460,424
Accrued interest receivable	2,977,785	2,160,737
Premises and equipment, net	668,534	880,750
Other assets	337,723	395,683
	$ 1,312,682,402	$ 1,212,562,836
Liabilities and Head Office Equity		
Deposits		
Demand		
Non-interest bearing	$ 72,421,261	$ 56,719,167
Interest bearing	29,962,056	23,900,497
Time	493,922,540	664,781,494
Structured certificates of deposit	-	26,053,010
Total deposits	596,305,857	771,454,168
Amounts due to head office, branches and affiliates	370,000,000	200,000,000
Securities sold under agreements to repurchase	8,419,308	25,616,000
Borrowings	305,696,910	190,000,000
Accrued interest payable	1,141,444	1,135,080
Other liabilities	3,729,817	2,584,040
Total liabilities	1,285,293,336	1,190,789,288
Commitments and contingencies (Note 13)		
Head office equity		
Assigned capital	19,413,389	19,413,389
Accumulated earnings	8,495,382	3,028,154
Accumulated other comprehensive income	(519,705)	(667,995)
Total head office equity	27,389,066	21,773,548
	$ 1,312,682,402	$ 1,212,562,836

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

Banco de Credito e Inversiones, S.A., Miami Branch
Statements of Operations and Comprehensive Income
Years Ended December 31, 2010 and 2009

	2010	2009
Interest income		
Loans	$ 10,459,751	$ 11,722,333
Federal funds sold and overnight investments	799,701	586,466
Securities	119,468	427,254
Time deposits due from banks and related institutions	7,978,423	6,913,995
Total interest income	19,357,343	19,650,048
Interest expense		
Deposits	3,905,903	6,966,098
Borrowings	3,678,459	3,727,503
Total interest expense	7,584,362	10,693,601
Net interest income	11,772,981	8,956,447
Provision for loan losses	1,765,403	13,101,741
Net interest income (loss) after provision for loan losses	10,007,578	(4,145,294)
Noninterest income		
Service fees and charges	1,492,051	2,117,198
Gain on sale of investment securities	-	529,120
Other	121,426	82,792
Total non-interest income	1,613,477	2,729,110
Noninterest expense		
Salaries and employee benefits	3,731,629	3,533,411
Occupancy	320,605	291,247
Depreciation and amortization	327,996	243,968
Communications	276,583	213,411
Professional fees	564,200	526,409
Other operating	932,814	829,356
Total non-interest expense	6,153,827	5,637,802
Net income (loss) before taxes	5,467,228	(7,053,986)
Income taxes	-	-
Net income (loss)	5,467,228	(7,053,986)
Other comprehensive income		
Net unrealized holding gains (losses) on securities available for sale arising during the year	148,290	(828,670)
Reclassification adjustment for net gains on securities available for sale included in net income	-	529,120
Other comprehensive income (loss)	148,290	(299,550)
Comprehensive income (loss)	$ 5,615,518	$ (7,353,536)

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

Banco de Credito e Inversiones, S.A., Miami Branch
Statements of Changes In Head Office Equity
Years Ended December 31, 2010 and 2009

	Assigned Capital	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	Total Head Office Equity
Balances at December 31, 2008	$ 19,413,389	$ 10,082,140	$ (368,445)	$ 29,127,084
Net loss for the year	-	(7,053,986)	-	(7,053,986)
Other comprehensive income	-	-	(299,550)	(299,550)
Balances at December 31, 2009	19,413,389	3,028,154	(667,995)	21,773,548
Net income for the year	-	5,467,228	-	5,467,228
Other comprehensive income	-	-	148,290	148,290
Balances at December 31, 2010	$ 19,413,389	$ 8,495,382	$ (519,705)	$ 27,389,066

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

Banco de Credito e Inversiones, S.A., Miami Branch
Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Net income (loss)	$ 5,467,228	$ (7,053,986)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	327,996	243,968
Provision for loan losses	6,573,000	13,101,741
Net premium amortization	-	(2,964)
(Gain) on sale of available for sale securities	-	(529,120)
Changes in assets and liabilities		
Accrued interest receivable	(817,048)	2,206,545
Other assets	57,960	1,906,266
Accrued interest payable	6,364	(2,241,098)
Other liabilities	1,145,777	88,893
Net cash provided by operating activities	12,761,277	7,720,245
Cash flows from investing activities		
(Increase) in time deposits due from banks and related institutions	(52,282,151)	(203,333,558)
Purchases of securities available for sale	-	(9,997,036)
Proceeds from maturities of securities available for sale	-	25,000,000
Proceeds from sales of securities available for sale	-	8,529,120
Net (increase) decrease in loans	(124,084,186)	123,232,187
Capital expenditures, net	(115,779)	(596,200)
Net cash used in investing activities	(176,482,116)	(57,165,487)
Cash flows from financing activities		
(Decrease) increase in deposits, including structured certificates of deposit	(180,432,312)	323,291,918
Increase in amounts with head office, branches and affiliates	170,000,000	120,000,000
(Decrease) increase in securities sold under agreements to repurchase	(11,912,692)	10,738,000
Increase (decrease) in borrowings	115,696,910	(44,340,622)
Net cash provided by financing activities	93,351,906	409,689,296
Net (decrease) increase in cash and cash equivalents	(70,368,933)	360,244,054
Cash and cash equivalents		
Beginning of year	513,949,679	153,705,625
End of year	$ 443,580,746	$ 513,949,679
Supplemental disclosure of cash flow information		
Interest paid	$ 7,577,998	$ 12,934,699

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. 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. The rights of an international banking branch differ from an international agency in that an international branch has the flexibility to receive qualified 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 the United States of America and banking industry practices.

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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan and lease losses and the valuation of derivative instruments. Management believes that these estimates are adequate. Actual results could differ from these estimates.

Income Recognition

Interest income is generally recognized on the accrual basis using the interest method. Unearned interest is amortized over the term of the related loan using effective yield method. Commissions and fees on letters of credit are deferred and recognized on a straight-line basis over the term of the corresponding letter of credit.

Securities

The Branch classifies its securities as available for sale or trading with distinct accounting treatment for each classification. Securities available for sale are carried at fair value with unrealized gains and losses included in other comprehensive income in Head Office equity. Trading securities are also carried at fair value with realized and unrealized gains and losses included in the results of operations as trading gains or losses. Gains and losses on the sale of securities are determined on a specific identification basis.

Premium or discount on investment securities is amortized or accrued, respectively, over the life of the security using the straight line method as an adjustment to the yield.

Loans and Allowance for Loan Losses
Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses and adjusted by unamortized deferred loan fees and costs on originated loans. 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.

Individually identified impaired loans, which are defined as loans where it is probable that a creditor will not be able to collect both the contractual interest and principal payments, are measured at the present value of expected future cash flows discounted at the loan's effective rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. If the recorded investment in the impaired loan exceeds the measure of fair value, a valuation allowance is established as a component of the allowance for loan losses. Cash receipts on impaired loans are applied to reduce the principal amount of such loans until the entire principal balance has been recovered, and are thereafter recognized as interest income.

The allowance for loans is established through a provision charge to expense. Loans are charged off against the allowance for loans when management believes that the collectibility of the principal is unlikely. Recoveries of amounts previously charged off are credited to the allowance.

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.

Loans for which modifications of their original terms meet the criteria for trouble debt restructuring classification are reported as such.

Loan Fees
Nonrefundable fees for loan commitments and loan originations, net of expenses, are deferred and amortized using a method that approximates the level yield method as an adjustment of loan yield over the term of the loan.

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 (Notes 2 and 3).

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 fundings are 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.

Cash and Cash Equivalents
The Branch has defined cash equivalents as those highly liquid financial instruments purchased with an original maturity of three months or less.

Derivative Financial Instruments
The Branch accounts for derivative financial instruments in accordance with the guidance established by the FASB.

The Branch manages its exposure to interest rate and foreign exchange rate movements in investment securities, loans and structured certificates of deposit by seeking to match asset and liability balances within maturity categories, both directly and through the use of derivative financial instruments. The derivative instruments are foreign exchange forwards, interest rate swaps ("swaps") and interest rate collars (options which have a cap and a floor). While these instruments are subject to fluctuations in value, such fluctuations are generally offset by the change in value of the underlying exposures being hedged.

These derivative financial instruments are designated as hedges against the changes in variable cash flows or fair value of identified assets as long as certain criteria are met. However if the derivative financial instrument fails or ceases to qualify for hedge accounting, it is accounted for at fair value with changes in fair value recorded in earnings in the statements of operations and comprehensive income.

If the instrument qualifies for fair value hedge accounting, the market gains and losses of the derivative as well as the portion of the unrealized gains or losses of the hedged instrument that was attributable to the risk being hedged are recorded in the results of operations. The net interest received or paid on swaps is reflected as interest income or expense of the related hedged position. Gains and losses resulting from the termination of swaps are recognized over the shorter of the remaining contract lives of the swaps or the lives of the related hedged positions or, if the hedged positions are sold, are recognized in the current period as other income/expense.

If the instrument qualified for cash flow hedge accounting, the effective portion of the change in fair value of the derivative is recorded in other comprehensive income (loss), and the ineffective portion is reported in the statement of operations.

If the instrument is an embedded derivative in a hybrid contract such as the Structured Certificate of Deposit, the instrument is accounted for at fair value, with changes in the value of the instrument being recognized in the statement of operations.

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.

Transfers of Financial Assets
Transfers of financial assets are accounted for as sales or purchases when control over the assets has been surrendered by the transferor. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the transferor, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the transferor does not maintain effective control over the transferred assets through an agreement to repurchase them. If the above criteria are not met, the Bank accounts for the transfer as a secured borrowing.

Income Taxes
The Branch is subject to federal and state income taxes. The Branch utilizes an asset and liability approach to accounting for income taxes. The asset and liability approach requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences between the carrying amounts and tax bases of other assets and liabilities. Deferred tax assets are required to be reduced by a valuation allowance to the extent that, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized.

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.

Fair Value Measurements
Financial instruments are classified based on three level valuation hierarchy required by U.S GAAP. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defines as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

New Issued Accounting Pronouncements

Fair Value Measurements and Disclosures

In January 2010, the Financial Accounting Standards Board ("FASB") issued guidance that requires new disclosures, and clarifies existing disclosure requirements about fair value measurements. The clarifications and the requirement to separately disclose transfers of instruments between level 1 and level 2 of the fair value hierarchy are effective for periods beginning after December 15, 2009. The Branch has no level 1 financial instruments. Therefore, application of this new disclosure requirement in 2010 does not affect the presented financial statement. In addition, a new requirement to provide purchases, sales, issuances and settlements in the level 3 rollforward on a gross basis is effective for fiscal years beginning after December 15, 2010. Early adoption of the guidance is permitted. The Branch is evaluating the data required to comply with this new disclosure requirement for implementation in 2011.

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Loan Losses

In July 2010, the FASB issued guidance that will require enhanced disclosures about the credit characteristics of the Branch's loan portfolio. Under the new guidance, the Branch will be required to disclose its accounting policies, the methods it uses to determine the components of the allowance for credit losses, and qualitative and quantitative information about the credit risk inherent in the loan portfolio, including additional information on certain types of loan modifications. The new disclosure requirements are effective for the Branch beginning in 2011. The adoption of this guidance in 2011 will only affect the Branch's disclosures of loan receivables and not its financial position or results of its operations.

Recognition and Presentation of Other-Than-Temporary Investments

In April 2009, the FASB amended the other-than-temporary impairment model for debt securities and required expanded disclosures. The amended model requires an entity to recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the noncredit component in OCI when the entity does not intend to sell the security and it is more likely than not that the entity will not be required to sell the security prior to recovery. The amended guidance became effective in 2009. As of December 31, 2010, the Branch does not hold debt securities recognized as other than temporary impaired.

Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transaction that are Not Orderly

In April 2009, the FASB issued guidance for estimating fair value when the volume and level of activity for the assets or liability have significantly declined. This statement provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. This statement emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. The guidance is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. Adoption of this guidance in 2009 had no impact to the Branch's financial statements.

Reclassifications

Certain reclassifications have been made to the December 31, 2009 financial statements to conform with current presentation.

2. Securities

The amortized cost and estimated fair value of securities at December 31, 2010 and 2009 are summarized as follows:

	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Available for sale				
Student loan asset backed securities	$ 9,050,000	$ -	$ (519,705)	$ 8,530,295
	$ 9,050,000	$ -	$ (519,705)	$ 8,530,295

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Available for sale				
Student loan asset backed securities	$ 9,050,000	$ -	$ (667,995)	$ 8,382,005
	$ 9,050,000	$ -	$ (667,995)	$ 8,382,005

At December 31, 2010 and 2009, available for sale securities of $9,050,000 had unrealized losses of $519,705 and $667,995 for a period of less than twelve months, respectively.

As of December 31, 2010, the Branch held approximately $9,050,000 par value of investments in auction rate securities ("ARS"). ARS are entirely comprised of student loans that have long-term nominal maturities for which the interest rates are supposed to be reset through auctions process each month. The Branch continues to earn interest on the ARS at the contractual rate. The contractual maturity of these investments are longer than five years.

In evaluating whether an other than temporary decline in value has occurred in its securities portfolio at December 31, 2010, management considers these unrealized losses to be related to normal fluctuations in interest rates and, in part, to the lack of current liquidity in the Auction Rate Securities market, due to conditions in the U.S. economy, and as a result, temporary in nature. In reaching this decision, management considered other factors including the severity of the declines below cost, recent trends in fair values, and the existence of guarantees behind the underlying collateral of the instruments. In addition, management expects that these would not be settled at a price less than the carrying amount. Management believes these investments continue to be of high credit quality, and plans to hold the ARS until such time as successful auctions occur, and secondary markets allow for a sufficient price to recover substantially all the par value. The Branch will continue to analyze its ARS each reporting period for impairment.

At December 31, 2010, investment securities totaling $8,530,295 are pledged as collateral for securities sold under agreements to repurchase.

3. Loans and Allowance for Loan Losses

At December 31, 2010 and 2009, the Branch had loans outstanding as follows:

	2010	2009
Commercial	$ 376,707,595	$ 256,306,325
Financial institutions	15,000,000	15,000,000
Individuals	106,288	1,041,409
	391,813,883	272,347,734
Less		
Allowance for loan losses	(6,573,000)	(4,838,000)
Deferred loan fees	(269,273)	(49,310)
	$ 384,971,610	$ 267,460,424

As of December 31, 2010 and 2009, the Branch's loan portfolio consists mainly of working capital loans, trade financing loans, personal loans and discounted acceptances.

At December 31, 2010 and 2009, the Branch had loans outstanding with risk in the following countries:

	2010	2009
United States	$ 146,231,287	$ 91,794,851
Mexico	78,464,623	68,736,761
Chile	53,097,419	26,542,257
Peru	52,803,586	55,057,508
Brazil	35,392,522	-
Colombia	18,414,446	13,125,000
Panama	7,410,000	-
Belgium	-	8,000,000
Spain	-	9,091,357
Germany	-	
Costa Rica	-	-
Japan	-	-
United Kingdom	-	-
	$ 391,813,883	$ 272,347,734

United States' exposure includes outstanding loans in an amount of approximately $12,670,000 guaranteed by time deposits in the United States.

Changes in the allowance for loan losses for the years ended December 31, 2010 and 2009 are summarized as follows:

	2010	2009
Balance at beginning of year	$ 4,838,000	$ 208,000
Provision for (reversal of) loan losses	1,765,403	13,101,741
Charge-offs	(30,403)	(8,471,741)
Balance at end of year	$ 6,573,000	$ 4,838,000

Head Office acquired a nonperforming loan from the Branch for $11,284,084 in cash under a nonrecourse participation agreement during 2009. The Branch sold this loan at the loan's carrying value represented by its approximated realizable value at the end of the sale. Additionally, the Branch recorded a provision for the allowance and subsequently charged off $7,522,723 as a result of this transaction.

At December 31, 2010, the Company had impaired loans aggregating to approximately $14,296,000, ($18,800,000 at December 31, 2009) for which the original terms of the loan had been modified due to deterioration in the financial condition of the borrower. Approximately $12,443,000 of these loans are current and have been demonstrating consistent performance since modified in 2009 and 2010. At December 31, 2010, total loans in which interest income recognition has been discontinued amounted to $1,860,000 ($3,223,000 at December 31, 2009). Interest not recorded due to loans being classified as nonaccrual for the year ended December 31, 2010 was approximately $27,000 ($88,000 in 2009).

4. Premises and Equipment

At December 31, 2010 and 2009, premises and equipment included:

	2010	2009	Estimated Useful Lives
Furniture, fixtures and equipment	$ 2,068,789	$ 2,062,679	2 to 5 years
Leasehold improvements	237,110	237,109	10 years
	2,305,899	2,299,788	
Less: Accumulated depreciation and amortization	(1,637,365)	(1,419,038)	
	$ 668,534	$ 880,750	

Depreciation and amortization expense amounted to approximately $328,000 and $244,000, respectively, at December 31, 2010 and 2009.

5. Time Deposits

Time deposits in denominations of $100,000 or more amounted to approximately $474,566,000 and $667,150,000 at December 31, 2010 and 2009, respectively.

The amounts of scheduled maturities of time deposits at December 31, 2010 are as follows:

2011	$ 491,735,046
2012	1,002,208
2013	1,185,286
	$ 493,922,540

6. Derivative Instruments

As of December 31, 2010, the Branch did not hold derivative instruments in its portfolio. At December 31, 2009 derivatives instruments included:

	December 31, 2009				
		Nominal Amount		Gross Unrealized	
	Flow Hedge (FH) or Fair Value (FV)	Nominal Amount	Fair Value Asset (Liability)	Gain	Loss
(1) Structured CD Options	FV	$ 24,895,000	$ (246,990)	$ -	$ (246,990)
		$ 24,895,000	$ (246,990)	$ -	$ (246,990)

7. Securities Sold Under Agreements to Repurchase

The following sets forth information concerning repurchase agreements as of and for the years ended December 31, 2010 and 2009:

	2010	2009
Securities sold under agreements to repurchase at year-end	$ 8,419,308	$ 25,616,000
Maximum amount of outstanding agreements at any month-end during the year	8,419,000	25,616,000
Average amount outstanding during the year	785,974	7,930,255
Weighted average interest rate at year-end	0.07 %	0.07 %

8. Borrowings

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 that bears a floating interest rate based on six-month LIBOR with principal due at maturity. The facility, matured on November 4, 2010.

During 2010, the Branch entered into certain letters of credit agreements with customers and correspondent banks where the Branch received a prepayment in cash at a discount of the principal amount of such letters of credits. According to the terms, the Branch will pay full principal balance to the correspondent confirming bank at maturity of the instrument which is approximately 360 days. Based on the terms and conditions of the letter of credit, the correspondent confirming bank is responsible for settling with the international supplier at maturity. The Branch then retains financing under approved lines of credit with the confirming correspondent bank. The effective interest rate is determined for the period from the repayment date through the maturity date of the related obligation. At December 31, 2010, the Branch has recorded borrowings of approximately $162,500,000 as a result of this transaction.

Borrowing of approximately $115,000,000 as of December 31, 2010 represent short term bank obligations with interest at a weighted average of 1.10% for the year then ended.

9. Transactions with Head Office, Branches and Affiliates

Balances with Head Office, branches and affiliates as of and for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Assets		
Time deposits due from related institution	$ 50,890,066	$ 88,795,322
Time deposits due from related institution with original maturity in excess of 90 days	471,615,709	419,333,558
Loans		
Accrued interest receivable	2,153,204	1,366,947
Other assets	2,930	1,418
Total related party assets	524,661,909	509,497,245
Liabilities		
Demand deposits	8,595,808	21,506,183
Structured certificates of deposit	-	530,000
Accrued interest payable	16,132	37,380
Borrowings	370,000,000	200,000,000
Total related party liabilities	378,611,940	222,073,563
Head office equity	27,602,556	21,773,548
Total related party liabilities and head office equity	406,214,496	243,847,111
Net related party asset position	$ 118,447,413	$ 265,650,134
Interest income	$ 7,976,287	$ 6,892,710
Interest expense	645,205	497,697
Non-interest income	1,782	73,420
Non-interest expense	-	194,131

The Branch has previously entered into interest rate swaps with Head Office. The Branch uses these derivative financial instruments for the purpose of managing its exposure to adverse fluctuations in cash flows arising from certain investment securities and loans. Under the interest rate swaps, the Branch, agrees to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount.

Time Deposits due from Head Office amounted to approximately $522,506,000 as of December 31, 2010. These time deposits are short-term and earn interest at weighted average of 1.48% for year then ended.

Borrowings from Head Office amounted to $370,000,000 as of December 31, 2010. These borrowings are short-term and earn interest at a weighted average of 0.75% for the year then ended.

10. Income Taxes

The components of income tax expense (benefit) were as follows for the years ended December 31:

	2010	2009
Current:		
Federal	$ -	$ -
State	-	-
Deferred:		
Federal	1,145,362	2,789,722
State	(48,754)	483,229
Provision for valuation allowance	(1,096,608)	(3,272,951)
	$ -	$ -

The major permanent differences between the results in operations and U.S. taxable income are noneffectively connected income, and interest expense disallowance. At December 31, 2010, the Branch had federal tax loss carryforwards available to reduce future taxable income of approximately $10,139,046.

The net operating loss carryforwards will expire as follows:

Years ending December 31,	Net Operating Loss Expiration
2019	$ 1,843,891
2020	1,212,297
2021	1,075,651
2022	232,294
2023	1,257,025
2024	449,211
2025	1,255,783
2028	3,688,207
2029	(456,404)
2030	(418,909)
	$ 10,139,046

The total deferred tax assets and liabilities and valuation allowance at December 31, 2010 and 2009 are as follows:

	2010	2009
Deferred Tax Assets:		
Net operating loss carryforwards	$ 3,815,324	$ 5,695,954
Allowance for loan losses	2,473,420	1,820,539
Other	536,693	405,551
	6,825,437	7,922,044
Deferred tax liabilities:		
Discount accretion	-	-
Other	-	-
Net deferred tax asset	6,825,437	7,922,044
Less:Valuation allowance	(6,825,437)	(7,922,044)
	$ -	$ -

Management has determined 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.

11. 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 $57,000 and $52,000 during 2010 and 2009, respectively.

12. Commitments and Contingencies

In the normal course of business, the Branch is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These financial instruments include unused lines of credit commitments, standby letters of credit and unfunded risk participations. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the statement of assets, liabilities and Head Office equity. The contract amounts of those instruments reflect the extent of involvement the Branch has in particular classes of financial instruments.

Standby letters of credit and unfunded risk participations are conditional commitments issued by the Branch to guarantee the performance of a customer to a third party. The Branch has outstanding standby letters of credit and unfunded risk participations in the amounts of $62,500,000 and $8,404,000, respectively, at December 31, 2010. Additionally, the Branch has confirmed standby letters of credit issued by Head Office in the amount of $2,126,000. Standby letters of credit have fixed maturity dates and, since many of them expire without being drawn, they do not generally present a significant liquidity risk to the Branch. As of December 31, 2010, the Branch's standby letters of credit range in term from one to twelve months and are partially secured by cash. The Branch also has issued or confirmed commercial letters of credit in the amount of approximately $42,000,000 at December 31, 2010.

The Branch's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for standby letters of credit and guarantees is represented by the contractual amounts of those instruments. The Branch uses the same credit policies in establishing conditional obligations as they do for on-balance sheet instruments.

The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held varies but may include cash, accounts receivable, inventory, equipment, marketable securities and property. Since certain letters of credit are expected to expire without being drawn upon, they do not necessarily represent future cash requirements.

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

	Minimum Rental Payments
Years ending December 31,	
2011	$ 337,535
2012	323,566
2013	120,103
2014 and thereafter	9,440
	$ 790,644

Rent expense was approximately $318,000 for the year ended December 31, 2010.

Contingencies
The Branch is involved in various legal actions arising in the ordinary course of business. In the opinion of management, the outcome of these proceedings will not have a significant effect on the Branch's financial position or results of operations.

13. Fair Value Measurement

The following tables present the Branch's fair value hierarchy for those assets measured at fair value on a recurring basis as of:

	Fair Value Measurement at December 31, 2010		
	Quoted Prices in Active Markets for Identical Assets Level I	Significant Other Observable Inputs Level II	Significant Unobservable Inputs Level III
Securities available for sale	$ -	$ -	$ 8,530,295
Total assets	$ -	$ -	$ 8,530,295

	Fair Value Measurement at December 31, 2009		
	Quoted Prices in Active Markets for Identical Assets Level I	Significant Other Observable Inputs Level II	Significant Unobservable Inputs Level III
Securities available for sale	$ -	$ -	$ 8,382,005
Derivative instruments	-	79,883	-
Total assets	$ -	$ 79,883	$ 8,382,005

Level 2 Valuation Techniques

The valuation of the securities available for sale ("AFS securities") and derivative instruments is performed through a monthly pricing process using data of independent pricing providers, who are leading global providers of financial market data. These pricing provider collect, use and incorporate descriptive market data from various sources, quotes and indicators from leading broker dealers to generate independent and objective valuations.

The valuation techniques and the inputs used in our financial statements to measure the fair value of our recurring financial instruments include, among other things, the following:

- Similar securities actively traded which are selected from recent market transactions.
- Observable market data which includes spreads in relationship to LIBOR, swap curve, and prepayment speed rates, as applicable.
- The captured spread and prepayment speed is used to obtain the fair value for each related security.

The methods described above may produce a fair value calculation that may differ from the net realizable value or may not be reflective of future fair values. Furthermore, while the Branch believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of its available for sale securities portfolios could result in a different estimate of fair value at the reporting date.

Level 3 Valuation Techniques
Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. The fair values of Level 3 financial instruments are estimated using proprietary valuation models that utilize both market observable and unobservable parameters. The valuation technique and inputs used in the financial statements to measure the fair value include discounting the weighted average cash flow for each period back to present value at the determined discount rate for each instrument.

There were no recurring assets and liabilities measured at fair value in the Branch's financial statements at December 31, 2010.

The table below includes a rollforward of the balance sheet amounts for the years ended December 31, 2010 and 2009 (including the change in fair value), for financial instruments classified by the Branch within level 3 of the valuation hierarchy. When a determination is made to classify a financial instrument within level 3, it is due to the use of significant unobservable inputs. However, level 3 financial instruments typically include, in addition to the unobservable or level 3 components, observable components (that is, components that are actively quoted and can be validated with external sources); accordingly, the gains and losses in the table below include changes in the fair value due, in part, to observable factors that are part of the valuation methodology (dollars in thousands):

Beginning balance at December 31, 2009	$ 8,382,005
Unrealized gain (loss) included in the statement of other comprehensive income	148,290
Net sales and calls	-
Ending balance at December 31, 2010	$ 8,530,295

14. Fair Value of Financial Instruments

The guidance, *Disclosure about Fair Value of Financial Instruments*, requires the disclosure of estimated fair value of financial instruments including those financial instruments for which the Branch did not elect the fair value option. The fair value of such instruments, have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realized values could be materially different from the estimates presented below.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

- The book value was used as a reasonable estimate of fair value for cash and cash equivalents, variable rate loans with repricing terms shorter than 12 months, letters of credit, demand and savings deposits, securities sold under agreements to repurchase and deposits and borrowings due to Head Office, branches and affiliates.
- Fair values of securities are based on quoted market prices and pricing models (Notes 3 and 13).

- Fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar instruments would be issued with comparable terms. The fair value of such loans at December 31, 2010 and 2009 was approximately $334,300,000 and $265,200,000, respectively.

- Fair value of time deposits is estimated by discounting the future cash flows using the current rates at which similar instruments would be issued with comparable terms. At December 2010 and 2009, fair value of time deposits was approximately $494,470,000 and $691,915,000, respectively.

- Fair value of borrowings is based on the discounted value of contractual cash flows. The discount rates are based on rates that would be paid for borrowings with similar characteristics and maturities. The fair value of such borrowings at December 31, 2010 and 2009 was approximately $676,345,000 and $390,000,000, respectively.

15. Regulatory Matters

The Florida Department of Financial Services (the "Department") 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, 2010 and 2009, the Branch was in compliance with the Asset Maintenance Requirements.