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

Financial Statements
December 31, 2011 and 2010

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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, 2011 and 2010, 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

February 14, 2012

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Banco de Credito e Inversiones, S.A., Miami Branch
Statements of Assets, Liabilities and Head Office Equity
December 31, 2011 and 2010

	2011	2010
Assets		
Cash and due from banks	$ 8,818,009	$ 34,164,568
Federal funds sold and overnight investments	390,645,092	358,526,112
Time deposits due from related institutions	26,043,177	50,890,066
Total cash and cash equivalents	425,506,278	443,580,746
Time deposits due from related institutions with original maturities in excess of 90 days	372,139,777	471,615,709
Securities available for sale	261,769,850	8,530,295
Loans, net	570,962,612	384,971,610
Accrued interest receivable	8,464,005	2,977,785
Premises and equipment, net	589,446	668,534
Derivative Instrument	1,136,012	-
Other assets	992,412	337,723
Total Assets	$ 1,641,560,392	$ 1,312,682,402
Liabilities and Head Office Equity		
Deposits		
Demand		
Noninterest bearing	$ 63,779,342	$ 72,421,261
Interest bearing	21,145,240	29,962,056
Time	622,409,820	493,922,540
Total deposits	707,334,402	596,305,857
Amounts due to head office, branches and affiliates	250,912,543	370,000,000
Securities sold under agreements to repurchase	6,303,000	8,419,308
Borrowings	623,608,947	305,696,910
Derivative Instrument	8,827,113	-
Accrued interest payable	3,411,252	1,141,444
Other liabilities	1,772,864	3,729,817
Total liabilities	1,602,170,121	1,285,293,336
Commitments and contingencies (Note 12)		
Head office equity		
Assigned capital	19,413,389	19,413,389
Accumulated earnings	20,405,585	8,495,382
Accumulated other comprehensive loss	(428,703)	(519,705)
Total head office equity	39,390,271	27,389,066
Total liabilities & head office equity	$ 1,641,560,392	$ 1,312,682,402

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, 2011 and 2010

	2011	2010
Interest income		
Loans	$ 19,208,937	$ 10,459,751
Federal funds sold and overnight investments	1,102,831	799,701
Securities	3,090,432	119,468
Time deposits due from banks and related institutions	8,187,990	7,978,423
Total interest income	31,590,190	19,357,343
Interest expense		
Deposits	3,973,347	3,905,903
Borrowings	8,161,617	3,678,459
Total interest expense	12,134,964	7,584,362
Net interest income	19,455,226	11,772,981
Provision for loan losses	3,192,924	1,765,403
Net interest income after provision for loan losses	16,262,302	10,007,578
Noninterest income		
Service fees and charges	2,105,376	1,492,051
Securities and derivative instruments gain, net	295,451	-
Other	147,871	121,426
Total noninterest income	2,548,698	1,613,477
Noninterest expense		
Salaries and employee benefits	4,402,625	3,731,629
Occupancy	350,731	320,605
Depreciation and amortization	291,649	327,996
Communications	227,390	276,583
Professional fees	552,657	564,200
Other operating	1,075,745	932,814
Total noninterest expense	6,900,797	6,153,827
Net income before taxes	11,910,203	5,467,228
Income taxes	-	-
Net income	11,910,203	5,467,228
Other comprehensive income		
Net unrealized holding gains on securities available for sale arising during the year	91,002	148,290
Other comprehensive income	91,002	148,290
Comprehensive income	$ 12,001,205	$ 5,615,518

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, 2011 and 2010

	Assigned Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Total Head Office Equity
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
Net income for the year	-	11,910,203	-	11,910,203
Other comprehensive income	-	-	91,002	91,002
Balances at December 31, 2011	$ 19,413,389	$ 20,405,585	$ (428,703)	$ 39,390,271

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, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Net income	$ 11,910,203	$ 5,467,228
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	291,649	327,996
Provision for loan losses	3,192,924	6,573,000
Securities and derivative instruments gain, net	(295,451)	-
Changes in assets and liabilities		
Accrued interest receivable	(5,486,220)	(817,047)
Derivative instruments	7,691,101	-
Other assets	(654,689)	57,960
Accrued interest payable	2,269,808	6,364
Other liabilities	(1,956,953)	1,145,777
Net cash provided by operating activities	16,962,372	12,761,278
Cash flows from investing activities		
Decrease (increase) in time deposits due from banks and related institutions	99,475,932	(52,282,150)
Purchases of securities available for sale	(281,972,335)	-
Maturities, sales, and calls of investment securities, net	29,119,233	-
Net increase in loans	(189,183,926)	(124,084,186)
Capital expenditures, net	(212,561)	(115,780)
Net cash used in investing activities	(342,773,657)	(176,482,116)
Cash flows from financing activities		
Increase (decrease) in deposits, including structured certificates of deposit	111,028,545	(180,432,312)
(Decrease) increase in amounts with head office, branches and affiliates	(119,087,457)	170,000,000
Decrease in securities sold under agreements to repurchase	(2,116,308)	(11,912,692)
Increase in borrowings	317,912,037	115,696,910
Net cash provided by financing activities	307,736,817	93,351,906
Net decrease in cash and cash equivalents	(18,074,468)	(70,368,932)
Cash and cash equivalents		
Beginning of year	443,580,746	513,949,678
End of year	$ 425,506,278	$ 443,580,746
Supplemental disclosure of cash flow information		
Interest paid	$ 9,865,156	$ 7,577,998

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 (“U.S. GAAP”) 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 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, 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

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 only affects the Branch's disclosures of loan receivables and not its financial position or results of its operations.

In April 2011, the FASB issued new accounting guidance on troubled debt restructurings ("TDRs"), including how to determine whether a loan modification represents a concession and whether the debtor is experiencing financial difficulties. This new accounting guidance is effective for the Branch's period ending December 31, 2011. The adoption of this guidance did not have a material impact on the Branch's financial position or results of operations.

In April 2011, the FASB issued new accounting guidance that addresses effective control in repurchase agreements and eliminates the requirement for entities to consider whether the transferor (i.e., seller) has the ability to repurchase the financial assets in a repurchase agreement. This new accounting guidance will be effective to new transactions or modifications to existing transactions, on December 31, 2012. The adoption of this guidance is not expected to have a material impact on the Branch's financial position or results of operations.

In May 2011, the FASB issued amendments to the fair value accounting guidance. The amendments clarify the application of the highest and best use and valuation premise concepts, preclude the application of blockage factors in the valuation of all financial instruments and include criteria for applying the fair value measurement principles to portfolios of financial instruments. The amendments additionally prescribe enhanced financial statement disclosures for Level 3 fair value measurements. The new amendments will be effective on December 31, 2012. The Branch is currently assessing the impact of this guidance on the financial position and results of operations.

In June 2011, the FASB issued new accounting guidance on the presentation of comprehensive income in financial statements. The new guidance removes current presentation options and requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. This new accounting guidance will be effective for the Branch for on December 31, 2012. The adoption of this guidance, which involves disclosures only, will not impact the Branch's financial position or results of operations.

Reclassifications

Certain reclassifications have been made to the December 31, 2010 financial statements to conform with current presentation.

2. Securities

The amortized cost and estimated fair value of securities at December 31, 2011 and 2010 are summarized as follows:

	2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Available for sale				
Student loan asset backed securities	$ 9,050,000	$ -	$ (1,035,380)	$ 8,014,620
Corporate debt securities	249,961,198	6,049,105	(2,255,073)	253,755,230
	$ 259,011,198	$ 6,049,105	$ (3,290,453)	$ 261,769,850

	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

At December 31, 2011 and 2010, available for sale securities of $259,011,198 and $9,050,000 had unrealized losses of $3,290,453 and $519,705 for a period of less than twelve months, respectively. The Branch does not consider these unrealized positions to be other than temporary.

At December 31, 2011, debt securities from private sector with carrying amount value of approximately $253,755,000 are primarily concentrated in the United States, Chile and Colombia.

As of December 31, 2011 and 2010, the Branch held $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.

Contractual maturities of corporate debt securities classified as available for sale at December 31, 2011 are as follows:

	Amortized Cost	Carrying Value
Due within one year	$ 8,776,903	$ 8,816,257
Due within one and five years	78,554,472	79,001,818
Due within 10 years	160,885,673	164,181,955
Due after ten years	10,794,150	9,769,820
	$ 259,011,198	$ 261,769,850

In evaluating whether an other than temporary decline in value has occurred in its securities portfolio at December 31, 2011, management considers these unrealized losses to be related to normal fluctuations in interest rates and market conditions. Specific to the Student Loan backed securities this decline in value relates mainly to the lack of current liquidity in the Auction Rate Securities market, due to conditions in the U.S. economy. 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 for impairment.

Management considers decline in values to be temporary in nature. In reaching this decision, management considered 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.

At December 31, 2011, investment securities totaling $6,200,000 are pledged as collateral for securities sold under agreements to repurchase.

3. Loans and Allowance for Loan Losses

At December 31, 2011 and 2010, the Branch had loans outstanding as follows:

	2011	**2010**
Commercial	$ 547,674,615	$ 376,707,595
Financial institutions	26,372,500	15,000,000
Individuals	7,599,013	106,288
	581,646,128	391,813,883
Less		
Allowance for loan losses	(8,629,000)	(6,573,000)
Deferred loan fees	(2,054,516)	(269,273)
	$ 570,962,612	$ 384,971,610

As of December 31, 2011 and 2010, the Branch's loan portfolio consists mainly of working capital loans, trade financing loans, personal loans and discounted acceptances.

At December 31, 2011, the Branch had loans outstanding with risk in the following countries:

	Commercial	Financial Institutions	Individuals	Total
United States	$ 197,255,308	$ 3,372,500	$ 7,599,013	$ 208,226,821
Chile	125,163,765	-	-	125,163,765
Peru	66,801,510	15,000,000	-	81,801,510
Mexico	79,160,943	-	-	79,160,943
Brazil	39,765,791	-	-	39,765,791
Panama	23,850,000	8,000,000	-	31,850,000
Colombia	13,230,682	-	-	13,230,682
Japan	2,446,616	-	-	2,446,616
	$ 547,674,615	$ 26,372,500	$ 7,599,013	$ 581,646,128

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

	Commercial	Financial Institutions	Individuals	Total
United States	$ 146,124,999	$ -	$ 106,288	$ 146,231,287
Chile	53,097,419	-	-	53,097,419
Peru	52,803,586	-	-	52,803,586
Mexico	63,464,623	15,000,000	-	78,464,623
Brazil	35,392,522	-	-	35,392,522
Panama	7,410,000	-	-	7,410,000
Colombia	18,414,446	-	-	18,414,446
	$ 376,707,595	$ 15,000,000	$ 106,288	$ 391,813,883

United States' exposure includes outstanding loans in an amount of approximately $3,700,000 guaranteed by time deposits in the United States.

Changes in the allowance for loan losses ("ALLL") for the years ended December 31, 2011 and 2010 are summarized as follows:

	2011			
	Balance at Beginning of Year	Provision for (Reversal of) Loan Losses	Charge Offs	Balance at End of Year
Commercial	$ 6,445,500	$ 3,123,314	$ (1,136,924)	$ 8,431,890
Financial institutions	127,500	68,000	-	195,500
Individuals	-	1,610	-	1,610
	$ 6,573,000	$ 3,192,924	$ (1,136,924)	$ 8,629,000

	2010			
	Balance at Beginning of Year	**Provision for (Reversal of) Loan Losses**	**Charge Offs**	**Balance at End of Year**
Commercial	$ 4,709,600	$ 1,766,303	$ (30,403)	$ 6,445,500
Financial institutions	128,400	(900)	-	127,500
Individuals	-	-	-	-
	$ 4,838,000	$ 1,765,403	$ (30,403)	$ 6,573,000

At December 31, 2011, the Company had loans aggregating to approximately $11,300,000, for which the original terms of the loan had been modified due to deterioration in the financial condition of the borrower. Approximately $11,300,000 of these loans are current and paying in accordance with the terms and conditions of the modification. Approximately $204,000 are classified as nonaccrual loans at December 31, 2011. Interest not recorded due to loans being classified as nonaccrual for the year ended December 31, 2011 was approximately $170.

For loans evaluated on a group basis, management segments the loan portfolio by identifying risk characteristics that are common to groups of loans. Based on the segmentation of the portfolio, the Branch estimates the portion of the Allowance for Loan Losses by calculating the historical losses for each loan pool over the current "look-back" period of three years. The Branch determines its loss factor based on charge offs and recoveries over this "look back" period of three years. Additionally, in developing and maintaining loss measurements, management also monitors monthly the impact of current environmental factors, reviews its industry concentration reports and documents where additional factors such as changes in credit concentrations have been used in the analysis and how these factors affect the loss measurements.

The Branch measures impairment based on the difference between the present value of expected future cash flows discounted at the loan's effective interest rate and the recorded investment in the loan.

- The effective interest rate of a loan is the rate of return implicit in the loan (that is, the original contractual interest rate adjusted for any net deferred loan fees or costs, premium, or discount existing at the origination or acquisition of the loan)

- The effective interest rate for a loan restructured in a troubled debt restructuring is based on the original contractual rate, not the rate specified in the restructuring agreement.

- If the contractual rate is a floating rate tied to an index like the London Interbank Offered Rate ("LIBOR"). The loan's effective interest rate may be calculated based on the factor as it changes over the life of the loan, or may be fixed at the rate in effect at the date the loan meets the impairment criterion in paragraph.

Alternative measurement basis used by the Branch are as follows:

- The loan's observable market price, or

- The fair value of the collateral if the loan is collateral dependent.

If foreclosure for a collateral dependent loan is probable, the Branch measures impairment based on the fair value of the collateral when the creditor determines that foreclosure is probable.

In order to monitor the Branch's credit quality, a credit grading system has been developed. The credit grades classify the level of risk for various categories.

All new loans are assigned a credit grade from "1" to "6" at the time of consideration for approval. Existing loans are reviewed and the credit grade changed if necessary.

Any credit with a credit grade of "3" or worse is placed on the Branch's Criticized and Classified Asset Report and is reviewed and managed in accordance with Branch policy as set forth:

The Branch's credit grades "3" to "6" conform to the classifications and their definitions as set forth in the Federal Reserve Commercial Bank Examination Manual. The standard classifications and their definitions follow:

- Other Assets/Loans Especially Mentioned (OAEM and OLEM) (Credit Grade "3")

  Assets in this category are currently protected but are potentially weak. Those assets constitute an undue and unwarranted credit risk but not to the point of justifying a classification of substandard. The credit risk may be relatively minor yet constitute an unwarranted risk in light of the circumstances surrounding a specific asset.

  This category should not be used to list assets which bear risks usually associated with the particular type of financing. Any type of asset, regardless of collateral, financial stability and responsibility of the obligor involves certain risks. Assets in which actual, not potential, weaknesses are evident and significant, should be considered for more serious criticism.

- Substandard (Credit Grade "4")

  A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified sub-standard.

- Doubtful (Credit Grade "5")

  An asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined.

- Loss (Credit Grade "6")

  Assets classified loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future. Losses should be taken in the period in which they are incurred.

As of December 31, 2011, the Branch had the following by classification balances:

	Balance at Beginning of Year	Provision for (Reversal of) Loan Losses	Charge Offs	Balance at End of Year
Classification				
OLEM	$ -	$ 26,742		$ 26,742
Substandard	1,202,687	2,071,176	-	3,273,863
Doubtful	315,872	(6,729)		309,143
Loss	1,852,358	(511,300)	(1,136,924)	204,134
	$ 3,370,917	$ 1,553,147	$ (1,136,924)	$ 3,787,140

All impaired loans at December 31, 2011 totaling approximately $14,700,000 are classified as Commercial.

4. Premises and Equipment

At December 31, 2011 and 2010, premises and equipment included:

	2011	2010	Estimated Useful Lives
Furniture, fixtures and equipment	$ 2,194,819	$ 2,068,789	2–5 years
Leasehold improvements	237,109	237,109	10 years
	2,431,928	2,305,898	
Less: Accumulated depreciation and amortization	(1,842,482)	(1,637,365)	
	$ 589,446	$ 668,533	

Depreciation and amortization expense amounted to approximately $292,000 and $328,000, respectively, at December 31, 2011 and 2010.

5. Time Deposits

Time deposits in denominations of $100,000 or more amounted to approximately $601,803,000 and $474,566,000 at December 31, 2011 and 2010, respectively.

The amounts of scheduled maturities of time deposits at December 31, 2011 are as follows:

2012	$ 588,353,515
2013	33,200,952
2014	-
2015	855,352
2016	-
	$ 622,409,819

6. Derivative Instruments

At December 31, 2011 derivatives instruments included:

	Cash Flow Hedge (FH) or Fair Value (FV)	Nominal Amount		Gross Unrealized	
		Nominal Amount	Fair Value Asset (Liability)	Gain	Loss
Interest rate swaps	FV	$ 35,000,000	$ 1,136,012	$ 1,136,012	$ -
Interest rate swaps	FV	144,975,000	(8,827,113)	-	(8,827,113)
		$ 179,975,000	$ (7,691,101)	$ 1,136,012	$ (8,827,113)

The Branch uses these derivative financial instruments for the purpose of managing its exposure to adverse fluctuations in fair value 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.

The Branch remained effectively hedge as of December 31, 2011. 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.

As of December 31, 2010, the Branch did not hold derivative instruments in its portfolio.

The terms of outstanding interest rate swaps at December 31, 2011 are as follows:

Number of Contracts	Maturity	Notional	Fair Value Asset (Liability)
1 *	2012	$ 6,250,000	$ (82,201)
4 *	2013	25,650,000	(780,280)
4 *	2014	10,925,000	(463,405)
4 *	2015	11,610,000	(910,321)
2 *	2016	22,000,000	(650,504)
1	2016	20,000,000	489,376
2 *	2017	4,090,000	(315,146)
11 *	2019	49,450,000	(5,112,365)
3 *	2021	15,000,000	(512,891)
3	2021	15,000,000	646,636
		$ 179,975,000	$ (7,691,101)

* Represents contracts with Head Office as counterparty to transaction (Refer to Note 9).

7. Securities Sold Under Agreements to Repurchase

The following sets forth information concerning repurchase agreements as of and for the years ended December 31, 2011 and 2010:

	2011	2010
Securities sold under agreements to repurchase at year-end	$ 6,303,000	$ 8,419,308
Maximum amount of outstanding agreements at any month-end during the year	8,610,747	8,419,000
Average amount outstanding during the year	8,355,000	785,974
Weighted average interest rate at year-end	0.08 %	0.07 %

8. Borrowings

At December 31, 2011, borrowings of approximately $234,000,000 relate to a Total Return Swap (“TRS”), signed under an International Swaps and Derivatives Association (“ISDA”) contract that simulates a repurchase agreement or a guaranteed loan to the Branch of an investment portfolio. Under the TRS, the Branch would tender a portfolio of securities to the counterparty. The counterparty will tender funds that account for a percentage of the market value of the securities portfolio based on a notional value. At maturity, the securities are returned to the Branch by the counterparty and the liability is paid off.

As of December 31, 2011, borrowings of approximately $166,950,000 represent prepayment at a discount of letters of credit where the Branch retains financing under approved lines of credit with the confirming correspondent bank. Full principal payment is due at maturity. The effective interest rate is calculated for the period from the date of repayment through the maturity date of the related obligation.

In addition, the Branch entered into borrowing agreements with other financial institutions. As of December 31, 2011, the Branch had borrowing outstanding related to these agreements of approximately $224,000,000 with maturities between June 2012 and August 2014, with contractual rates based on LIBOR plus a spread.

9. Transactions With Head Office, Branches and Affiliates

Balances with Head Office, branches and affiliates as of and for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Assets		
Time deposits due from related institution	$ 26,043,029	$ 50,890,066
Time deposits due from related institution with original maturity in excess of 90 days	372,139,777	471,615,709
Accrued interest receivable	2,500,267	2,153,204
Other assets	1,153	2,930
Total related party assets	400,684,226	524,661,909
Liabilities		
Demand deposits	5,912,543	8,595,808
Derivative instruments	8,827,113	
Accrued interest payable	1,239,481	16,132
Borrowings	245,000,000	370,000,000
Total related party liabilities	260,979,137	378,611,940
Head office equity	39,390,271	27,602,556
Total related party liabilities and head office equity	300,369,408	406,214,496
Net related party asset position	$ 100,314,818	$ 118,447,413
Interest income	$ 10,271,823	$ 7,976,287
Interest expense	3,179,501	645,205
Noninterest income	81	1,782
Noninterest expense	-	-

The Branch has entered into interest rate swaps with its Head Office. The nominal value of these instruments as of December 31, 2011 totals approximately $145,000,000. Refer to Note 6.

Time Deposits due from Head Office amounted to approximately $398,000,000 as of December 31, 2011. These time deposits are short-term and earn interest at weighted average of 1.79% for year then ended.

Borrowings from Head Office amounted to $245,000,000 as of December 31, 2011. These borrowings are short-term and earn interest at a weighted average of 0.20% for the year then ended.

10. Income Taxes

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

	2011	2010
Current:		
Federal	$ -	$ -
State	-	-
	-	-
Deferred:		
Federal	3,750,347	1,145,362
State	400,405	(48,754)
Provision for valuation allowance	(4,150,752)	(1,096,608)
	$ -	$ -

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, 2011, the Branch had federal tax loss carryforwards available to reduce future taxable income of approximately $9,253,508.

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	222,475
2031	(1,526,922)
	$ 9,253,508

The total deferred tax assets and liabilities and valuation allowance at December 31, 2011 and 2010 are as follows:

	2011	2010
Deferred tax assets		
Net operating loss carryforwards	$ 3,893,052	$ 3,815,324
Allowance for loan losses	3,676,492	2,473,420
Unrealized losses on securities	3,145,528	251,367
Non-accrual interest income	2,864,156	10,160
Other	291,123	275,166
	13,870,351	6,825,437
Deferred tax liabilities		
Discount accretion	-	-
Other	-	-
Net deferred tax asset	13,870,351	6,825,437
Less: Valuation allowance	(13,870,351)	(6,825,437)
	$ -	$ -

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 expensed contributions of approximately $66,000 and $57,000 during 2011 and 2010, 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 $62,200,000 and $1,900,000, respectively, at December 31, 2011. 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, 2011, 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 $1,900,000 at December 31, 2011.

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,	
2012	$ 323,566
2013	120,103
2014	9,440
Thereafter	-
	$ 453,109

Rent expense was approximately $326,000 for the year ended December 31, 2011.

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, 2011		
	Quote Prices in Active Markets for Identical Assets Level 1	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**
Securities available for sale			
Corporate debt securities	$ -	$ 253,755,230	$ -
Student loan asset backed securities			8,014,620
Derivative instruments			
Derivative assets	-	-	1,136,012
Derivative liabilities	-	-	(8,827,113)
	$ -	$ 253,755,230	$ 323,519

	Fair Value Measurement at December 31, 2010		
	Quote Prices in Active Markets for Identical Assets Level 1	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**
Securities available for sale			
Student loan asset backed securities	$ -	$ -	$ 8,530,295
	$ -	$ -	$ 8,530,295

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, 2011 or 2010.

The table below includes a rollforward of the balance sheet amounts for the years ended December 31, 2011 and 2010 (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:

	2011	2010
Balance at beginning of year	$ 8,530,295	$ 8,382,005
Unrealized gain included in the statement of other comprehensive income	(8,206,776)	148,290
Balance at end of year	$ 323,519	$ 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, 2011 and 2010 was approximately $504,200,000 and $334,300,000, 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 2011 and 2010, fair value of time deposits was approximately $624,108,000 and $494,470,000, 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, 2011 and 2010 was approximately $624,272,000 and $676,345,000, 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, 2011 and 2010, the Branch was in compliance with the Asset Maintenance Requirements.

16. Subsequent Events

Subsequent events have been evaluated through the date that the financial statement were available to be issued on February 14, 2012. The Branch has not identified any events that would require disclosure or have a material impact on the financial position, results of operations, or cash flows of the Branch as of and for the year then ended December 31, 2011.

M. Grisel Vega
GENERAL MANAGER

Jorge Morales
VICE PRESIDENT
BCI Miami Branch