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

**Financial Statements**
**December 31, 2009 and 2008**

## Report of Independent Certified Public Accountants

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

In our opinion, the accompanying statements of assets, liabilities and Head Office equity and the related statements of operations and of cash flows present fairly, in all material respects, the financial position of Banco de Credito e Inversiones, S.A., Miami Branch (the "Branch") at December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles which, as described in Note 1, are generally accepted in Chile. These financial statements are the responsibility of the Branch's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

January __, 2010

# Banco de Credito e Inversiones, S.A., Miami Branch
## Statements of Assets, Liabilities and Head Office Equity
## December 31, 2009 and 2008

*(in U.S. dollars)*

| | 2009 | 2008 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 933,342,916 | $ 369,705,628 |
| Loans to banks | 15,091,405 | 21,751,485 |
| Loan portfolio, net and other receivables | 283,995,815 | 424,213,023 |
| Investement securities available for sale | 8,384,867 | 32,079,427 |
| Fixed assets, net | 879,614 | 528,519 |
| Other assets | 1,909,115 | 4,482,901 |
| Total assets | $ 1,243,603,732 | $ 852,760,983 |
| **Liabilities and Capital** | | |
| Liabilities | | |
| Demand deposits and short term obligations | $ 98,556,123 | $ 70,019,972 |
| Securities sold under repurchase agreements | 7,680,000 | 5,852,000 |
| Time deposits | 691,784,068 | 388,567,128 |
| Derivative financial instruments | 246,990 | 962,630 |
| Borrowings from financial institutions | 390,185,058 | 315,901,385 |
| Other financing commitments | 32,449,570 | 43,748,888 |
| Other liabilities | 1,735,283 | 2,201,897 |
| Total liabilities | 1,222,637,092 | 827,253,899 |
| Capital | | |
| Assigned capital | 19,413,389 | 19,413,389 |
| Other comprehensive income | (667,995) | (368,445) |
| Retained earnings: | | |
| Retained earnings prior years | 6,462,140 | 1,544,590 |
| Provision for loan lossess - unfunded commitments | (123,238) | |
| Net (loss) income current year | (4,117,656) | 4,917,550 |
| Total capital | 20,966,640 | 25,507,084 |
| Total liabilities and capital | $ 1,243,603,732 | $ 852,760,983 |

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

**Banco de Credito e Inversiones, S.A., Miami Branch**
**Statements of Retained Earnings**
**Years Ended December 31, 2009 and 2008**

*(in U.S. dollars)*

| | 2009 | 2008 |
|---|---|---|
| Interest income | $ 20,424,574 | $ 40,075,164 |
| Interest expense | (11,043,952) | (30,298,593) |
| Net interest income | 9,380,622 | 9,776,572 |
| Commissions income and other income | 2,204,274 | 2,482,998 |
| Commissions expense | (154,878) | (44,078) |
| Net commissions income | 2,049,396 | 2,438,920 |
| Net income from financial activities | (32,599) | (239,921) |
| Total operating income | 11,397,418 | 11,975,571 |
| Provision for loan lossess | (10,103,441) | (1,899,000) |
| Net operating income | 1,293,977 | 10,076,571 |
| Salaries and employee benefits | (3,471,864) | (3,310,236) |
| Administrative expenses | (1,695,801) | (1,669,755) |
| Depreciation and amortization | (243,968) | (179,030) |
| Total operating expenses | (5,411,634) | (5,159,021) |
| Net operating income | (4,117,656) | 4,917,549 |
| Net income before provision for income taxes | (4,117,656) | 4,917,549 |
| Income tax expense | - | - |
| Net (loss) income | (4,117,656) | 4,917,549 |
| Other comprehensive loss | | |
| Net unrealized holding (losses) gains on securities available for sale arising during the year | (299,550) | (477,733) |
| Other comprehensive loss | (299,550) | (477,733) |
| Comprehensive (loss) income | $ (4,417,206) | $ 4,439,816 |

| | 2009 | 2008 |
|---|---|---|
| Net (loss) income | $ (4,117,656) | $ 4,917,550 |
| **Other comprehensive loss** | | |
| Net unrealized holding gains (losses) on securities available for sale arising during the year | (828,670) | (477,733) |
| Reclassification adjustment for net gains on securities available for sale included in net income | 529,120 | - |
| Other comprehensive loss | (299,550) | (477,733) |
| Comprehensive (loss) income | $ (4,417,206) | $ 4,439,817 |

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

# Banco de Credito e Inversiones, S.A., Miami Branch
## Statements of Retained Earnings
## Years Ended December 31, 2009 and 2008

*(in U.S. dollars)*

| | Assigned Capital | Other Comprehensive Income | Provision for Loan Loss - Unfunded Commitments | Retained Earnings (Deficit) | Total Head Office Equity |
|---|---|---|---|---|---|
| **Balance, January 1, 2008** | $ 19,413,389 | $ 109,288 | $ - | $ 1,544,590 | $ 21,067,267 |
| Net income | - | - | - | 4,917,550 | 4,917,550 |
| Change in fair value of investment securities available for sale | - | (477,733) | | - | (477,733) |
| **Balance, December 31, 2008** | 19,413,389 | (368,445) | - | 6,462,140 | 25,507,084 |
| Net loss | - | - | - | (4,117,656) | (4,117,656) |
| Change in fair value of investment securities available for sale | - | (299,550) | - | - | (299,550) |
| Change provision for loan losses - unfunded risk | - | - | (123,238) | - | (123,238) |
| **Balance, December 31, 2009** | $ 19,413,389 | $ (667,995) | $ (123,238) | $ 2,344,484 | $ 20,966,640 |

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, 2009 and 2008

*(in U.S. dollars)*

| | 2009 | 2008 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ (4,117,656) | $ 4,917,549 |
| (Gain) loss on financial activities | - | 239,921 |
| Depreciation and amortization | 243,968 | 179,030 |
| Provision for loan losses | 10,103,441 | 1,899,000 |
| Net unrealized loss (gain) on investment securities | 299,550 | - |
| Gain on sale of investment securities | 529,120 | - |
| Net change in interest on assets and liabilities | 314,341 | (1,116,690) |
| Net cash provided by operating activities | 7,372,764 | 6,118,810 |
| **Cash flows from investing activities** | | |
| Net increase in loans | 124,005,964 | (148,185,865) |
| Net decrease in trading investments | - | 20,278,108 |
| Net decrease in investment securities available for sale | 22,171,330 | 17,929,626 |
| Increase (decrease) in obligations under repurchase agreements | 1,828,000 | (3,328,000) |
| Capital expenditures | (501,971) | (169,067) |
| Other assets | 1,601,796 | 2,752,091 |
| Other liabilities | (462,593) | 894,271 |
| Net cash provided by (used in) investing activities | 148,642,526 | (109,828,836) |
| **Cash flows from financing activities** | | |
| Increase in demand deposits | 28,239,855 | 24,771,828 |
| Increase (decrease) in time deposits | 303,579,641 | (251,281,569) |
| Increase in other sight and term obligations | 295,656 | 17,749,149 |
| Increase in borrowings from financial institutions | 75,506,845 | 87,144,156 |
| Net cash provided by (used in) financing activities | 407,621,997 | (121,616,436) |
| Net increase (decrease) in cash and due from banks | 563,637,287 | (225,326,462) |
| **Cash and due from banks** | | |
| Beginning of the year | 369,705,628 | 595,032,090 |
| End of the year | $933,342,916 | $369,705,628 |

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

*(in U.S. dollars)*

## 1. Nature of Business and Summary of Significant Accounting Policies

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

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

### New Accounting Principles, Rules and Regulations issued by the Banking Superintendency

As a result of the Banking Superintendency's convergence project to International Financial Reporting Standards (IFRS), during November 2007, the Banking Superintendency's *issued* new accounting standards as well as new presentations and disclosures requirements effective for fiscal years beginning after December 31, 2008. The new standards require to recast retained earnings and other equity accounts as result of adopting the new accounting standards. Head Office has adjusted December 31, 2008 consolidated equity in order to reflect those changes with retroactive accumulated effect. The Branch adopted the new standards effective January 1, 2009 and no adjustments were made to the financial statements as of December 31, 2008 as result of adopting the new accounting policies.

### 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.

### 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 published by the Banking Superintendency. 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.

### Investments

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.

*(in U.S. dollars)*

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.

**Derivative Financial Instruments**
The Branch uses derivative financial instruments for the purpose of managing its exposure to adverse fluctuations in interest rates and foreign exchange rates. Fair value hedges are used to limit the Branch's exposure to total changes in the fair value of its fixed interest-earning assets or interest-bearing liabilities that are due to interest rate or foreign exchange volatility. Cash flow hedges are used to minimize the variability in cash flows of interest-earning assets or interest-bearing liabilities or forecasted transactions caused by interest rate or foreign exchange fluctuation. Changes in the fair value of derivatives designated for hedging activities are recorded in earnings or equity, depending on whether the hedging relationship satisfies the criteria for a fair value or cash flow hedge, respectively. All financial derivatives are recognized on the balance sheet at fair value.

The Branch designates at inception whether the derivative contract is considered hedging or non-hedging for accounting purposes. Non-hedging derivatives held for trading purposes are included in the Branch's trading portfolio with changes in fair value reflected in earnings. As of December 31, 2009 and 2008, the Branch did not have any non-hedging derivatives.

**Loans and Allowance for Loan Losses**
Loans are stated at the amount of unpaid principal plus accrued interest, reduced by an allowance for loan losses in accordance with regulations established by the Banking Superintendency. Interest on loans is calculated using the interest method on the daily balances of the outstanding principal amount. Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and the results of collection efforts, that the borrower's financial condition is such that collection of interest or principal is doubtful or when a loan becomes impaired as stipulated by "Nº 3 del Capítulo B-2 del Compendio de Normas Contables". Interest income is then recognized under the cash basis method.

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.

**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.

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

**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.

*(in U.S. dollars)*

**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.

The Branch uses the indirect method to report is cash flow statement. The indirect method uses net-income as a starting point, makes adjustments for all transactions for non-cash items, then adjusts for all cash-based transactions. An increase in an asset account is subtracted from net income, and an increase in a liability account is added back to net income. This method converts accrual-basis net income (or loss) into cash flow by using a series of additions and deductions

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

**Estimates**
The preparation of financial statements 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. Management believes that these estimates are adequate. Actual results could differ from these estimates.

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

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

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

**Reclassifications**
Certain reclassifications have been made to the December 31, 2008 financial statements to conform with current presentation.

*(in U.S. dollars)*

## 2. Cash and Due from Banks

Cash and due from Banks comprise of the following:

| *(in U.S. dollars)* | 2009 | 2008 |
|---|---|---|
| Cash and due from banks | | |
| Cash | $ 71,626 | $ 55,504 |
| Deposits due from international banks | 424,231,868 | 99,893,831 |
| Deposits due from Head Office | 508,128,880 | 268,249,629 |
| Overnight funds | 910,543 | 1,506,664 |
| Total cash and cash equivalents | $ 933,342,916 | $ 369,705,628 |

Balance due from Head Office amounted to approximately $508,000,000 as of December 31, 2008. These time deposits are short term and earn interest at the weighted average of 1.17% for the year ended December 31, 2009.

As of December 31, 2009, the branch maintained deposits with the Federal Reserve Bank of the United States of America of approximately $420,000,000. The Federal Reserve Bank pay interest on required reserve balances and on balances held in excess of required reserve balances and contractual clearing balances.

## 3. Securities Sold Under Repurchase Agreements

The following sets forth information concerning repurchase agreements as of and for the years ended December 31, 2009 and 2008:

| | Maturity | | | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 3 months | | 3 months to 1 year | | More than 1 year | | Balance at |
| Entity type | | Average Rate | | Average Rate | | Average Rate | December 31, 2009 |
| | US$ | % | US$ | % | US$ | % | US$ |
| Personal accounts | $ 7,680,000 | 0.07% | $ - | 0.00% | $ - | 0.00% | $ 7,680,000 |
| Total 2009 | $ 7,680,000 | 0.07% | $ - | 0.00% | $ - | 0.00% | $ 7,680,000 |

| | Maturity | | | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 3 months | | 3 months to 1 year | | More than 1 year | | Balance at |
| Entity type | | Average Rate | | Average Rate | | Average Rate | December 31, 2008 |
| | US$ | % | US$ | % | US$ | % | US$ |
| Personal accounts | $ 5,852,000 | 0.07% | $ - | 0.00% | $ - | 0.00% | $ 5,852,000 |
| Total 2008 | $ 5,852,000 | 0.07% | $ - | 0.00% | $ - | 0.00% | $ 5,852,000 |

*(in U.S. dollars)*

### 4. Derivative Instruments

| | December 31, 2009 | | | | | |
|---|---|---|---|---|---|---|
| | | Notional amount | | | Gross Unrealized | |
| | Flow hedge (FH) or Fair Value (FV) | Up to 3 Months | Over 3 Months, Less than 1 Year | Over 1 Year | Gain | Loss |
| (1) Structured CD Options | FV | $ 9,520,000 | $ 15,375,000 | | $ - | $ (246,990) |
| | | $ 9,520,000 | $ 15,375,000 | $ - | $ - | $ (246,990) |

| | December 31, 2008 | | | | | |
|---|---|---|---|---|---|---|
| | | Notional amount | | | Gross Unrealized | |
| | Flow hedge (FH) or Fair Value (FV) | Up to 3 Months | Over 3 Months, Less than 1 Year | Over 1 Year | Gain | Loss |
| (1) Structured CD Options | FV | $ - | $ 43,482,024 | $ 24,895,000 | $ 222,796 | $ (1,218,025) |
| (2) Interest Rate Swaps | FV | | | 45,964,286 | 2,141,136 | (2,108,537) |
| | | $ - | $ 43,482,024 | $ 70,859,286 | $ 2,363,932 | $ (3,326,562) |

(1) During September 2006 the Branch issued a thirty month 100% principal guaranteed Non-negotiable Certificate of Deposit in an amount of $14,900,000. The Certificates of Deposit are linked to the performance of the Standard and Poors 500 Composite Return Price Index; the NIKKEI-225 Stock Average, the Dow Jones Euro Stoxx 50 Price Index, the Swiss Market Index, the iShares S&P Latin American 40 Index Fund; the S&P CNX Nify Index, the CECEEUR-CECE Traded Index and the Hang Seng China Enterprises Index. The return percentage will be a percentage equal to the sum of one eight (1/8th) times the performance of each Index during the Term times sixty eight percent (68%). At the same time, the Branch entered into an option contract with J.P. Morgan Chase Bank, N.A. whereby the option’s notional amount ($9,996,000) is equal to sixty eight percent (68%) of the principal balance of the Certificate of Deposits. The return on investment is calculated based on a percentage equal to the sum of one eight (1/8th) times the performance of each Index determined at the exercise date.

In August 2008, the branch issued a twenty-four month 100% Principal Guaranteed Major Currency Basket Non-Negotiable Certificate of Deposit to its customers in an amount of $12,500,000. The Certificate of Deposit is linked to the performance of the US Dollar Euro Exchange Rate, the US Dollar UK Pounds Sterling Exchange Rate, the US Dollar Swiss Franc Exchange Rate, and the US Dollar Japanese Exchange Rate. These certificates pay principal and interest at maturity and payment of interest is calculated based on a return percentage. The Return Percentage will be the greater of a) zero or b) a percentage equal to the sum of one fourth (1/4th) times the performance of each Index during the Term of the Certificate of Deposit. At the same time, the Branch entered into an option contract with The Royal Bank of Canada whereby the option’s notional amount ($15,625,000) is equal to one hundred twenty-five percent (125%) of the principal balance of the Certificate of Deposits. The return on investment is calculated based on a percentage equal to the sum of one fourth (1/4th) times the performance of each exchange rate determined at the exercise date. The performance of the Certificate of Deposit is calculated by multiplying the return percentage by the participation factor of one hundred twenty-five percent.

*(in U.S. dollars)*

(2) The terms of the outstanding interest rate swaps at December 31, 2008 are as follows:

| Contract Number | Maturity | Notional | Interest Rate Pay | Interest Rate Receive | Fair Value Asset (Liability) |
|---|---|---|---|---|---|
| 1 | July 14 | $ 12,000,000 | 4.965% | 180-day LIBOR | $ (1,119,860) |
| 2 | December 13 | 5,357,143 | 5.210% | 30-day LIBOR | (472,944) |
| 3 | March 14 | 5,625,000 | 5.210% | 30-day LIBOR | (515,732) |
| 1 | July 14 | 12,000,000 | 180-day LIBOR | 180-day LIBOR | 1,152,460 |
| 2 | December 13 | 5,357,143 | 30-day LIBOR | 30-day LIBOR | 472,944 |
| 3 | March 14 | 5,625,000 | 30-day LIBOR | 30-day LIBOR | 515,732 |
| | | $ 45,964,286 | | | $ 32,600 |

As of December 31, 2009, the Branch did not have any outstanding swap instruments.

## 5. Loans and Allowance for Loan Losses

As of December 31, 2009 and 2008, the Branch's loan portfolio consists mainly of working capital loans, trade financing loans, and discounted acceptances as follows:

| | Loans Before Provisions | | | Loan Provisions Assigned | | | |
|---|---|---|---|---|---|---|---|
| 2009 | Performing Loans | Non-performing Loans | Total | Specific Provisions | Generic Provisions | Total | Net Loans |
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| **Commercial and industrial loans** | | | | | | | |
| Corporate and industriall loans | $ 234,314,661 | $ 18,048,212 | $ 252,362,873 | $ 3,939,590 | $ - | $ 3,939,590 | $ 248,423,284 |
| International, trade related loans | 24,944,915 | - | 24,944,915 | 68,454 | - | 68,454 | 24,876,462 |
| Overdrafts | 827 | - | 827 | 2 | - | 2 | 825 |
| Factoring operations | 12,270,137 | - | 12,270,137 | 615,881 | - | 615,881 | 11,654,256 |
| **Total** | **$ 271,530,541** | **$ 18,048,212** | **$ 289,578,753** | **$ 4,623,926** | **$ -** | **$ 4,623,926** | **$ 284,954,827** |

| | Loans Before Provisions | | | Loan Provisions | | | |
|---|---|---|---|---|---|---|---|
| 2008 | Performing Loans | Non-performing Loans | Total | Specific Provisions | Generic Provisions | Total | Net Loans |
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| **Commercial loans** | | | | | | | |
| Corporate and industriall loans | $ 372,489,141 | $ - | $ 372,489,141 | $ (1,945,687) | $ - | $ (1,945,687) | $ 370,543,454 |
| International, trade related loans | 23,412,240 | - | 23,412,240 | (111,533) | - | (111,533) | 23,300,707 |
| Overdrafts | - | - | - | - | - | - | - |
| Factoring operations | 51,323,709 | - | 51,323,709 | (247,427) | - | (247,427) | 51,076,282 |
| **Total** | **$ 447,225,090** | **$ -** | **$ 447,225,090** | **$ (2,304,647)** | **$ -** | **$ (2,304,647)** | **$ 444,920,443** |
| **Consumer Loans** | | | | | | | |
| Overdrafts | 5,043 | - | 5,043 | | | - | 5,043 |
| **TOTAL** | **$ 447,230,133** | **$ -** | **$ 447,230,133** | **$ (2,304,647)** | **$ -** | **$ (2,304,647)** | **$ 444,925,486** |

*(in U.S. dollars)*

At December 31, 2009 and 2008, the Branch had loans outstanding in the following entity types:

| | Loans to Chilean Borrowers | | Loans to Foreign Countries | | Total | | | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | US$ | US$ | US$ | US$ | US$ | US$ | % | % |
| Commercial Loans | | | | | | | | |
| Manufacturing | $ - | $ - | $ 23,877,964 | $ 34,962,924 | $ 23,877,964 | $ 34,962,924 | 8.25% | 7.82% |
| Mining | 4,000,000 | 7,000,000 | 45,553,607 | 74,856,863 | 49,553,607 | 81,856,863 | 17.11% | 18.30% |
| Utilities | - | - | - | - | - | - | 0.00% | 0.00% |
| Agriculture | 827 | - | 13,796,784 | 25,483,605 | 13,797,611 | 25,483,605 | 4.76% | 5.70% |
| Fishing | 3,492,411 | 6,935,473 | 10,012,222 | 27,164,602 | 13,504,633 | 34,100,075 | 4.66% | 7.62% |
| Transporation | - | - | 300,487 | - | 300,487 | - | 0.10% | 0.00% |
| Telecommunications | - | - | 1,719,068 | 7,526,208 | 1,719,068 | 7,526,208 | 0.59% | 1.68% |
| Construction | 11,895,265 | 11,020,346 | 22,743,306 | 54,981,169 | 34,638,572 | 66,001,516 | 11.96% | 14.76% |
| Commercial | 4,231,083 | 9,686,976 | 97,339,981 | 117,148,373 | 101,571,064 | 126,835,349 | 35.08% | 28.36% |
| Services | 2,490,392 | 3,602,560 | 44,977,013 | 62,653,780 | 47,467,405 | 66,256,340 | 16.39% | 14.81% |
| Other | - | 606,401 | 3,148,343 | 3,595,810 | 3,148,343 | 4,202,211 | 1.09% | 0.94% |
| Total | $ 26,109,978 | $ 38,851,755 | $263,468,775 | $408,373,335 | $289,578,753 | $447,225,091 | 100% | 100% |

Changes in the allowance for loan losses excluding country risk for the years ended December 31, 2009 and 2008 are summarized as follows:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | Specific Provisions | Total | Specific Provisions | Total |
| | US$ | US$ | US$ | US$ |
| **January 1, 2009** | $ 2,305,000 | $ 2,305,000 | $ 978,000 | $ 978,000 |
| Classified loans | - | - | - | - |
| Commercial loans | 10,969,891 | 10,969,891 | - | - |
| Residential mortgages | - | - | - | - |
| Consumer loans | - | - | - | - |
| Total increase in provisions | 13,274,891 | - | 978,000 | 978,000 |
| Increase in provisions | - | - | 1,327,000 | 1,327,000 |
| Decrease in provisions | (179,224) | (179,224) | - | - |
| Charge offs reversals | - | - | | - |
| Charge offs | (8,471,741) | (8,471,741) | - | - |
| **December 31, 2009** | $ 4,623,926 | $ (8,650,965) | $ 2,305,000 | $ 2,305,000 |

*(in U.S. dollars)*

## 6. Investment Securities

The amortized cost and estimated fair value of investment securities classified as available for sale at December 31, 2009 and 2008 are summarized as follows:

| December 31, 2009 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Carrying Value |
|---|---|---|---|---|
| U.S. Student loan asset backed securities | $ 9,052,862 | | $ (667,995) | $ 8,384,867 |
| | $ 9,052,862 | | $ (667,995) | $ 8,384,867 |

| December 31, 2008 | Cost | Gains | Losses | Value |
|---|---|---|---|---|
| U.S. Government agency debt securities | $23,390,056 | $484,800 | $ (3,450) | $23,871,406 |
| U.S. Student loan asset backed securities | 9,057,817 | - | (849,795) | 8,208,022 |
| | $32,447,872 | $484,800 | $ (853,245) | $32,079,427 |

At December 31, 2009 and 2008, investment securities totaling $8,300,000 and $5,182,000 are pledged as collateral for securities sold under agreements to repurchase.

## 7. Premises and Equipment

At December 31, 2009 and 2008, premises and equipment included:

| | 2009 | | | |
|---|---|---|---|---|
| | Intangible | Fixed Assets | | |
| | Leasehold Improvements | Furniture and Fixtures | Computer Hardware and Software | Total |
| | US$ | US$ | US$ | US$ |
| Cost | | | | |
| Balance as of January 1, | $ 162,038 | $ 497,767 | $ 1,564,384 | $ 2,224,189 |
| Additions | 75,071 | 54,872 | 560,911 | 690,854 |
| Disposals | - | (27,274) | (195,435) | (222,709) |
| Subtotal | 237,109 | 525,365 | 1,929,860 | 2,692,334 |
| Accumulated depreciation | (116,064) | (408,896) | (1,090,919) | (1,615,879) |
| Retirements | - | (14,797) | (182,044) | (196,841) |
| Net fixed assets as of December 31, 2009 | $ 121,045 | $ 116,469 | $ 838,941 | $ 879,614 |

*(in U.S. dollars)*

| | 2008 | | | |
|---|---|---|---|---|
| | Intangible | Fixed Assets | | |
| | Leasehold Improvements | Furniture and Fixtures | Computer Hardware and Software | Total |
| | US$ | US$ | US$ | US$ |
| **2008** | | | | |
| Cost | | | | |
| Balance as of January 1, | $ 162,038 | $ 424,486 | $ 1,003,510 | $ 1,590,035 |
| Additions | - | 146,156 | 193,227 | 339,382 |
| Disposals | - | (2,227) | (12,267) | (14,494) |
| Subtotal | 162,038 | 568,415 | 1,184,470 | 1,914,923 |
| Accumulated depreciation | (84,988) | (355,960) | (930,962) | (1,371,910) |
| Retirements | - | (2,227) | (12,267) | (14,494) |
| Net fixed assets as of December 31, 2008 | $ 77,050 | $ 212,455 | $ 253,508 | $ 528,519 |

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:

| | Miminum Lease Payments | | | |
|---|---|---|---|---|
| | Up to 1 year | 1 year to 5 years | More than 5 years | Total |
| December 31, 2009 | 334,208 | 790,644 | | 1,124,852 |
| December 31, 2008 | 584,051 | 1,004,065 | - | 1,588,116 |

## 8. Income Taxes

The major permanent differences between the results in operations and U.S. taxable income are non-effectively connected income and interest expense disallowance. At December 31, 2009, the Branch had federal tax loss carryforwards available to reduce future taxable income of approximately $13,364,000.

| Year of 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 | 3,837,336 |
| 2029 | 2,200,237 |
| | $ 13,363,725 |

*(in U.S. dollars)*

Management has determined that based on the weight of available evidence, that it is more likely than not that some portion or all of the deferred tax asset will not be realized, therefore, a valuation allowance has been established to offset the deferred tax asset amounting to $13,364,000.

## 9. Borrowings from Financial Institutions

On November 4, 2005, Head Office, acting through the Branch, entered into a credit agreement with a group of financial institutions to receive $190,000,000. The facility, which matures on November 4, 2010, bears a floating interest rate based on six-month LIBOR. At December 31, 2009, the interest rate on the facility was 0.53%.

Borrowings from Head Office amounted to approximately $200,000,000 as of December 31, 2009. These borrowings are short term and accrue interest at a weighted average of 0.43% for the year then ended.

## 10. Other Assets

As of December 31, 2009, other assets balance sheet classification covers minor assets such as prepaid expenses and accrued interest receivable of approximately $535,000 and $1,367,000, respectively.

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

| | 2009 | 2008 |
|---|---|---|
| Securities in custody | $ 21,672,559 | $ 8,647,292 |
| Unconfirmed letters of credit | $ 11,691,706 | $ 973,196 |
| Unfunded participations purchased | $ 1,242,373 | $ 17,523,299 |
| Interest rate swaps (notional value) | $ - | $ 45,964,286 |
| Options (notional value) | $ 24,895,000 | $ 68,377,024 |

**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 consolidated financial position or results of operations.

*(in U.S. dollars)*

### 12. Interest and Commission Income and Expense

Interest and commission income and interest and commission expense for the years ended December 31, 2009 and 2008 are summarized as follows:

| | 2009 | | | |
|---|---|---|---|---|
| | Interest Income | Commissions and Other Income | Interest Expense | Commissions Expense |
| Cash and due from banks | $ 1,162,869 | | | |
| Due from Head Office | 6,424,857 | | | |
| Loans to banks | 364,415 | | | |
| Loan portfolio and other receivables | 11,694,828 | | | |
| Investements securities available for sale | 424,876 | | | |
| Derivative instruments | 352,729 | | | |
| Letters of credit, guarantees and other contingent operations | | $ 647,033 | | |
| Gain on sale of investment | | 529,120 | | |
| Checks and funds transfers | | 228,808 | | |
| Loan processing fees and commissions | | 465,845 | | |
| Account service charges | | 73,344 | | |
| Foreign exchange gain or loss | | 39,785 | | |
| Demand deposits and short term obligations | | | $ 76,801 | |
| Securities sold under repurchase agreements | | | 22,040 | |
| Time deposits | | | 5,239,387 | |
| Amortization of premium paid on derivative financial instruments | | | 1,627,870 | |
| Borrowings from financial institutions | | | 3,727,503 | |
| Other financing commitments | | 230,339 | 350,351 | 50 |
| Bank service charges | | | | 154,828 |
| Total | $ 20,424,574 | $ 2,214,274 | $ 11,043,952 | $ 154,878 |

| | 2008 | | | |
|---|---|---|---|---|
| | Interest Income | Commissions and Other Income | Interest Expense | Commissions Expense |
| Cash and due from banks | $ 1,413,217 | | | |
| Due from Head Office | 15,341,755 | | | |
| Loans to banks | 129,330 | | | |
| Loan portfolio and other receivables | 19,280,321 | | | |
| Investements securities available for sale | 2,287,544 | | | |
| Derivative instruments | 1,622,998 | | | |
| Letters of credit, guarantees and other contingent operations | | $ 769,820 | | |
| Gain on sale of investment | | - | | |
| Checks and funds transfers | | 199,255 | | |
| Loan processing fees and commissions | | 1,067,565 | | |
| Account service charges | | 331,290 | | |
| Foreign exchange gain or loss | | 36,058 | | |
| Demand deposits and other sight and term obligations | | | $ 457,517 | |
| Securities sold under repurchase agreements | | | 67,374 | |
| Time deposits | | | 15,050,869 | |
| Derivative financial instruments | | | 2,752,571 | |
| Borrowings from financial institutions | | | 10,328,807 | |
| Other financing commitments | | 79,009 | 1,641,455 | |
| Bank service charges | | | | 44,078 |
| Total | $ 40,075,165 | $ 2,482,998 | $ 30,298,593 | $ 44,078 |

*(in U.S. dollars)*

### 13. Allowance for Loan Losses

At December 31, 2009 and 2008, the Branch held provisions for doubtful assets corresponding to the minimum requirements of the Banking Superintendency for covering potential losses. Changes in these provisions during 2009 and 2008 were as follows:

| | Loans | Other Assets | Total |
|---|---|---|---|
| **Balance, January 1, 2008** | $ 978,000 | - | $ 978,000 |
| Provision charged to operations | 1,327,000 | - | 1,327,000 |
| Loans charge off | - | - | - |
| **Balance, December 31, 2008** | 2,305,000 | - | 2,305,000 |
| Provision charged to operations | 10,790,667 | - | 10,790,667 |
| Loans charge off | (8,471,741) | - | (8,471,741) |
| **Balance, December 31, 2009** | $ 4,623,926 | $ - | $ 4,623,926 |

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

At December 31, 2009 and 2008, the Branch maintained country risk provisions for loans and other receivables in the amounts of $959,012 and $1,522,000 respectively.

### 14. 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 $52,000 and $47,000 during 2009 and 2008, respectively.

### 15. Administrative Expenses

Administrative expenses for the years ended December 31, 2009 and 2008 are summarized as follows:

| | 2009 | 2008 |
|---|---|---|
| Travel, membership fees, subscriptions, utilities and other | $ 1,062,262 | $ 1,022,436 |
| Rent | 400,117 | 345,139 |
| Assessment fees | 89,907 | 103,888 |
| Office supplies | 83,426 | 75,241 |
| Repairs and maintenance | 34,888 | 40,527 |
| Marketing | 22,720 | 69,323 |
| Tangible taxes | 2,131 | 13,200 |
| Donations | 350 | - |
| Total | $ 1,695,801 | $ 1,669,755 |

*(in U.S. dollars)*

## 16. Transactions with Head Office, Branches and Affiliates

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

Balances with Head Office, branches and affiliates as of December 31, 2009 and 2008 are as follows:

| | Entity | 2009 | 2008 |
|---|---|---|---|
| Assets: | | | |
| Loans | Head Office | $ 16,374,309 | $ 2,303,021 |
| | Bci Factoring, S.A. | - | - |
| Placements | Head Office | 509,497,244 | 268,767,447 |
| Other Assets | Bci Corredora de Bolsa, S.A. | - | 55,249 |
| Total related party assets | | 525,871,553 | 271,125,717 |
| Liabilities and Head Office Equity: | | | |
| Demand deposits | Head Office | 21,354,876 | 12,437,598 |
| | Bci Administradora de Fondos Mutuos, S.A. | | - |
| | Bci Corredora de Bolsa, S.A. | 100,365 | 616 |
| | Bci Factoring, S.A. | 49,932 | 46,415 |
| Time deposits | Bci Corredora de Bolsa, S.A. | 530,000 | 346,250 |
| Other unfunded commitments | Head Office | 16,374,309 | 2,254,948 |
| Other Payable | Bci Factoring, S.A. | 1,010 | 3,050 |
| Borrowings | Head Office | 200,000,000 | 80,000,000 |
| Other liabilities | Head Office | 37,380 | 255,981 |
| Total related party liabilities | | 238,447,872 | 95,344,858 |
| Head Office equity | Head Office | 20,966,640 | 25,813,879 |
| Total liabilities and Head Office equity | | 259,414,511 | 121,158,737 |
| Net related party asset position | | $ 266,457,041 | $ 149,966,980 |
| Interest income | | $ 6,892,710 | $ 15,850,100 |
| Interest expense | | $ 497,697 | $ 1,193,807 |
| Non-interest income | | $ 73,420 | $ 36,621 |
| Non-interest expense | | $ 194,131 | $ 142,403 |

## 17. Fair Value of Financial Instruments

The fair value of the followings 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.

*(in U.S. dollars)*

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. See Note 6,

- 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 credit ratings and terms. The fair value of such loans at December 31, 2009 and 2008 was approximately$265,200,000 and $392,562,000, respectively

- Fair value of time deposits is estimated based on the discounted value of contractual cash flow using current rates. At December 2009 and 2008, fair value of time deposits was approximately $691,915,000 and $392,112,000, respectively.

- Fair value of derivative instruments is determined based on externally developed pricing models, using financial market data such as interest rates and pricing terms included for similar agreements. See Note 4.

- 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, 2009 and 2008 was approximately $390,000,000 and $315,900,000, respectively.

**18. Risk Management**

The Branch is mainly exposed to credit, market and liquidity risks. Below is the risk policy used by the Branch for each type of risk:

*Credit Risk* - The Branch considers exposure to credit risk when there is a risk that a counterparty will cause a financial loss for the Branch by failing to discharge an obligation. Credit risk is the most critical risk for the Branch's business. The Branch monitors credit risk exposure by regularly analyzing payment capabilities of its borrowers. The Branch structures the level of credit risk by establishing limits for single or group borrowers. Credit risk exposure associated with investments securities is reduced by investing only in those financial assets where the issuer has an appropriate credit rating.

In certain cases, the Branch requests fiduciary or mortgage guarantees, collateral, or certificates of deposit after assessing specific borrower characteristics.

*Market Risk* - Financial institutions encounter market risks when market conditions show adverse changes that affect the liquidity and value of financial instruments included in investment portfolios or contingent positions and result in a loss for these financial institutions. Market risks mainly comprise three types of risk: interest rate, exchange rate and price risk. Management considers price risk as a consequence of both interest and exchange risk.

*(in U.S. dollars)*

a. *Interest Rate Risk* - Interest rate risks arise from temporary differences between assets and liabilities shown in the balance sheet. Differences resulting from adverse changes in interest rates have a potential impact on financial margins of institutions. To manage the interest rate risk, the Branch reviews the interest rate risk positions of the investment portfolio, the duration, the average life of the portfolio, and the gap of its assets and liabilities. The Branch analyzes the economic environment to establish a view in regarding the future of interest rates, and to evaluate the possibility of different interest rates scenarios. The loan portfolio interest rate risk is controlled by managing existing mismatches between this portfolio and the liabilities which serve as funding.

b. *Exchange Rate Risk* - Exchange rate risks arise from fluctuations in the value of financial instruments due to changes in the foreign currency exchange rates. The Branch's transactions are mainly in U.S. dollars. However, as a strategy in the financial markets and when the Treasury identifies short or medium-term market opportunities, investments might be deposited in foreign currency instruments. It is management's strategy to match assets and liabilities positions in foreign currency, in order to offset any potential impact as a result of depreciation in the foreign currency's value.

*Liquidity Risk* - In accordance with internal guidelines and the Branch's projected needs for funds to meet deposit obligations and loan demand, investments are made using the excess of funds available. In order to strengthen the Branch's liquidity, substantial amounts of the Branch's funds are placed in cash and cash equivalent products. An asset is deemed to be liquid if its maturity is short, under six months, and if is expected to be paid at maturity. It is marketable if it may be sold quickly at a price commensurate with its yield and quality. The Branch considers the marketability of an instrument prior to acquisition and determines if it is appropriate for the investment portfolio. Management also uses various tools in determining its cash position, including 30 day liquidity stress test and works closely with Head Office Balance Sheet Management area (money desk) with regards to its daily cash position. Although, the Branch's first source of funds or placements of excess positions are with our Head Office, it also has approved lines of credit for its use independent of Head Office.

## 19. 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, 2009 and 2008, the Branch was in compliance with the Asset Maintenance Requirements.

*(in U.S. dollars)*

## 20. Maturities of Assets and Liabilities

### Maturities of Loans and Investments

The following is a summary of assets and liabilities at December 31, 2009 classified by the remaining term to maturity. The amounts include accrued interest to the year-end.

| 2009 | On demand | Up to 1 month | 1 month to 3 months | 3 months to 12 months | Subtotal up to 1 year | 1 to 5 years | More than 5 years | Subtotal more than 1 year | Total |
|---|---|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| **Assets** | | | | | | | | | |
| Cash and due from banks | $933,342,916 | | | | 933,342,916 | | | | $ 933,342,916 |
| Loans to banks | | | 91,405 | | 91,405 | 15,000,000 | | | 91,405 |
| Loans and other receivables | | 39,596,278 | 33,230,084 | 66,374,280 | 139,200,642 | 150,378,110 | - | 150,378,110 | 289,578,753 |
| Investments classified as available for sale | | | | | - | | 8,384,867 | | - |
| Total Assets | $933,342,916 | $ 39,596,278 | $ 33,321,489 | $ 66,374,280 | $ 1,072,634,963 | $165,378,110 | $8,384,867 | $150,378,110 | $1,223,013,074 |
| **Liabilities** | | | | | | | | | |
| Demand deposits and other sight and term obligations | $ 98,556,123 | | | | | | | | |
| Obligations under repurchase agreements | | 7,680,000 | | | 7,680,000 | | | | 7,680,000 |
| Time deposits | | | | | - | | | | - |
| Derivative financial instruments | | 246,990 | | | 246,990 | | | | 246,990 |
| Borrowings from financial institutions | | 200,000,000 | | 190,185,058 | 390,185,058 | | | | 390,185,058 |
| Other financing commitments | | | | | - | | | | - |
| Total Liabilities | $ - | $200,246,990 | $ - | $190,185,058 | $ 390,432,048 | $ - | $ - | $ - | $ 390,432,048 |

## 21. Subsequent Events

The Branch has evaluated and factored subsequent events as of December 31, 2009 and the date of these financial statements and no significant events have been discovered.

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