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

Financial Statements as of and for the
Years Ended December 31, 2014 and 2013,
Supplemental Information Schedules as of and
for the Year Ended December 31, 2014, and
Independent Auditors’ Report

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Banco de Credito e Inversiones, S.A., Miami Branch (the "Branch"), which comprise the statements of assets, liabilities, and head office equity, as of December 31, 2014 and 2013, and the related statements of operations and comprehensive income, changes in head office equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Branch's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Branch as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Branch is part of Banco de Credito e Inversiones, S.A. (the “Head Office”), located in Santiago, Chile. As described in Note 1, the Branch is not a separately incorporated legal entity, and its financial statements do not necessarily reflect all allocations to or relationships with the Head Office or other financial matters that may be applicable to the Branch. Because of the relationship with the Head Office, it is possible that the transactions recorded locally will not be the same as transaction among wholly unrelated parties.

Report on Supplemental Information Schedules

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of the Branch’s management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Deloitte & Touche LLP

February 14, 2015

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

STATEMENTS OF ASSETS, LIABILITIES, AND HEAD OFFICE EQUITY
AS OF DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
CASH AND DUE FROM BANKS	$ 5,439,898	$ 3,079,837
FEDERAL FUNDS SOLD AND OVERNIGHT INVESTMENTS	932,703,284	911,315,020
TIME DEPOSITS DUE FROM RELATED INSTITUTIONS	215,589,886	10,193,135
Total cash and cash equivalents	1,153,733,068	924,587,992
TIME DEPOSITS DUE FROM RELATED INSTITUTIONS WITH ORIGINAL MATURITIES IN EXCESS OF 90 DAYS	296,678,698	620,128,026
SECURITIES AVAILABLE FOR SALE	251,360,145	294,104,208
LOANS—Net	1,352,650,519	1,069,206,096
LOANS—Held for sale		21,052,927
ACCRUED INTEREST RECEIVABLE	9,486,911	8,705,002
PREMISES AND EQUIPMENT—Net	2,037,495	1,513,873
DERIVATIVE INSTRUMENTS	1,343,197	967,766
OTHER ASSETS	1,328,525	2,438,578
TOTAL	$3,068,618,558	$2,942,704,468
LIABILITIES AND HEAD OFFICE EQUITY		
DEPOSITS:		
Demand:		
Non-interest bearing	$ 96,526,145	$ 77,009,500
Interest bearing	17,691,740	66,246,811
Time	1,270,360,001	1,168,511,523
Total deposits	1,384,577,886	1,311,767,834
AMOUNTS DUE TO HEAD OFFICE, BRANCHES, AND AFFILIATES	893,119,716	720,498,387
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	13,709,000	27,632,000
BORROWINGS	659,741,724	781,877,067
DERIVATIVE INSTRUMENTS	4,549,043	4,367,544
ACCRUED INTEREST PAYABLE	2,320,905	2,743,338
OTHER LIABILITIES	17,431,146	24,397,617
Total liabilities	2,975,449,420	2,873,283,787
COMMITMENTS AND CONTINGENCIES (Note 12)		
HEAD OFFICE EQUITY:		
Assigned capital	19,413,389	19,413,389
Accumulated earnings	76,449,618	56,190,886
Accumulated other comprehensive loss	(2,693,869)	(6,183,594)
Total head office equity	93,169,138	69,420,681
TOTAL	$3,068,618,558	$2,942,704,468

See notes to financial statements.

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
INTEREST INCOME:		
Loans	$ 35,484,567	$ 27,793,662
Federal funds sold and overnight investments	2,507,069	1,955,756
Securities	9,519,901	12,518,428
Time deposits due from banks and related institutions	4,769,641	8,779,975
Total interest income	52,281,178	51,047,821
INTEREST EXPENSE:		
Deposits	7,968,506	8,043,217
Borrowings	7,168,938	11,857,405
Total interest expense	15,137,444	19,900,622
NET INTEREST INCOME	37,143,734	31,147,199
PROVISION FOR LOAN LOSSES	5,763,471	7,802,466
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	31,380,263	23,344,733
NONINTEREST INCOME:		
Service fees and charges	3,386,774	2,351,379
Securities and derivative instruments gain, net	903,239	2,776,078
Other	43,510	59,490
Total noninterest income	4,333,523	5,186,947
NONINTEREST EXPENSE:		
Salaries and employee benefits	7,303,682	5,711,144
Occupancy	1,220,886	1,144,943
Depreciation and amortization	389,444	469,928
Communications	303,930	289,332
Professional fees—legal	445,015	700,772
Professional fees—other fees	1,032,269	1,022,892
Other operating	4,759,828	1,177,953
Total noninterest expense	15,455,054	10,516,964
NET INCOME	20,258,732	18,014,716
OTHER COMPREHENSIVE INCOME (LOSS):		
Net unrealized holding gain (loss) on securities available-for-sale arising during the year	3,435,533	(15,354,741)
Reclassification adjustment for loss (gain)—net included in net income	54,192	(2,776,078)
Other comprehensive income (loss)	3,489,725	(18,130,819)
COMPREHENSIVE INCOME (LOSS)	$ 23,748,457	$ (116,103)

See notes to financial statements.

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

STATEMENTS OF CHANGES IN HEAD OFFICE EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Assigned Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Total Head Office Equity
BALANCE—December 31, 2012	$ 19,413,389	$ 38,176,170	$ 11,947,225	$ 69,536,784
Net income for the year		18,014,716		18,014,716
Other comprehensive loss			(18,130,819)	(18,130,819)
BALANCE—December 31, 2013	19,413,389	56,190,886	(6,183,594)	69,420,681
Net income for the year		20,258,732		20,258,732
Other comprehensive income			3,489,725	3,489,725
BALANCE—December 31, 2014	$ 19,413,389	$ 76,449,618	$ (2,693,869)	$ 93,169,138

See notes to financial statements.

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 20,258,732	$ 18,014,716
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	389,444	469,928
Provision for off-balance sheet credit loss	1,174,000	
Provision for loan losses	5,763,471	7,802,466
Securities and derivative instruments gain—net	(903,239)	(2,776,078)
Net premium amortization on securities	1,594,046	3,210,718
Accretion of deferred loan fees	1,156,872	455,621
Changes in assets and liabilities:		
Accrued interest receivable	(781,909)	4,355,726
Derivative instruments	157,179	(222,282)
Other assets	1,040,746	3,440,899
Accrued interest payable	(422,433)	(412,329)
Other liabilities	1,258,492	726,346
Net cash provided by operating activities	30,685,401	35,065,731
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in time deposits due from related institutions	323,449,328	(122,189,732)
Purchases of securities available for sale		(75,324,445)
Maturities, sales, and calls of investment securities	45,191,870	157,927,670
Proceeds from sales of loans	15,037,500	9,563,624
Net increase in loans	(293,678,995)	(165,972,664)
Net decrease in customers' acceptance liability	69,307	468,456
Purchase of premises and equipment	(913,066)	(1,505,069)
Net cash provided by (used in) investing activities	89,155,944	(197,032,160)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in deposits	72,810,052	198,986,584
Increase in amounts due to Head office, branches, and affiliates	172,621,329	180,075,004
(Decrease) increase in securities sold under agreements to repurchase	(13,923,000)	13,224,000
Net decrease in acceptances outstanding	(69,307)	(468,456)
Decrease in borrowings	(122,135,343)	(465,855,026)
Net cash provided by (used in) financing activities	109,303,731	(74,037,894)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	229,145,076	(236,004,323)
CASH AND CASH EQUIVALENTS:		
Beginning of year	924,587,992	1,160,592,315
End of year	$ 1,153,733,068	$ 924,587,992

(Continued)

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 15,559,877	$ 20,312,951
Taxes paid	$ 50,000	$ -
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITY:		
Loan purchased pending payment	$ 11,723,271	$ 21,052,927

See notes to financial statements. (Concluded)

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 individuals 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 to accounting principles generally accepted in the United States of America (US GAAP) 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 the 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 US GAAP requires management to make estimates and assumptions that affect the reported amounts 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 losses and the valuation of certain securities available for sale (Level 3) and derivative instruments. Management believes that these estimates are reasonable. Actual results could differ from these estimates.

Cash and Cash Equivalents—The Branch has defined cash equivalents as those highly liquid financial instruments purchased with a maturity of three months or less at the time of acquisition.

Trading Account Securities—Trading account securities are stated at fair value. Trading account securities are held in anticipation of short-term market movements. Gains or losses on the sale of trading account securities as well as unrealized fair value adjustments are included in other operating income. The Branch did not hold any trading account securities as of December 31, 2014 and 2013.

Securities Available for Sale—Securities to be held for unspecified periods of time, including securities that management intends to use as part of its asset/liability strategy or that may be sold in response to changes in interest rates, changes in prepayment risk, or other similar factors, are classified as securities available-for-sale and are carried at fair value. The appreciation or decline in value of these securities is included in other comprehensive income (loss) within Head Office equity.

Premium or discount on securities available for sale is amortized or accrued, respectively, over the life of the securities using the effective interest method as an adjustment to the yield.

Securities Held to Maturity—Investments in debt securities to be held to maturity are carried at amortized cost as the Branch has both the intent and ability to hold these securities to maturity. Premiums and discounts on investment securities are amortized and accreted, respectively, to interest income over the life of the securities using a method, which approximates the level yield method. The Branch did not hold any securities held to maturity as of December 31, 2014 and 2013.

Loans Held for Sale—Loans held for sale are accounted for at the lower of cost or fair value. Any write-downs or subsequent recoveries are charged to other income. During the years ended December 31, 2014 and 2013, there were no write-downs of loans identified as held for sale. As of December 31, 2014, the Branch did not have any loans held for sale.

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 that is required to bring the allowance for loan losses to a level that, 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 troubled debt restructuring (TDR) classification are reported as such.

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.

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 that 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 statements of operations and comprehensive income.

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 statements of operations and comprehensive income.

Income Recognition—Interest income is generally recognized on the accrual basis using the interest method. Deferred loan fees are 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.

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 securities available for sale and loans primarily in the United States of America and Latin America (see Notes 2 and 3).

The Branch provides a full range of banking services to foreign individuals and 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.

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 Branch 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.

For positions taken or expected to be taken in a tax return, the Branch recognizes in its financial statements when it is more likely than not (i.e., a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

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 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 affect earnings in a falling interest rate environment, while a liability-sensitive position will generally enhance earnings in a falling interest rate environment and negatively affect earnings in a rising interest rate environment. Fluctuations in interest rates are not predictable or controllable.

Fair Value Measurements—Financial instruments are classified based on three-level valuation hierarchy required by US 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 defined 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—Inputs 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 Accounting Pronouncements—In May 2011, the Financial Accounting Standards Board (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 were effective for the year ended December 31, 2012. In February 2013, the FASB issued a guidance that amends the guidance issued in May 2011. The guidance eliminates the requirement for a nonpublic entity to disclose the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Levels 1, 2, or 3) for items disclosed at fair value but not measured at fair value in the statements of assets, liabilities, and Head Office equity. The adoption of this guidance did not have a material impact on the Branch's financial position or results of operations.

In December 2011, the FASB issued amended guidance, and subsequently amended during January 2013, related to disclosures about offsetting assets and liabilities. The amended guidance requires the Branch to disclose both gross information and net information about financial instruments, including derivatives, and transactions eligible for offset in the statements of assets, liabilities, and Head Office equity, as well as financial instruments and transactions subject to agreements similar to a master netting arrangement. The new amendments are effective for the Branch's year ended December 31, 2013. The adoption of this guidance, which involves additional disclosures, did not affect the Branch's financial position or results of operations.

In February 2013, the FASB issued guidance requiring entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, entities are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. For nonpublic entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2013. Early adoption is permitted. The adoption of this guidance did not affect the Branch's financial position or results of operations.

2. SECURITIES

The amortized cost and estimated fair value of securities available for sale at December 31, 2014 and 2013, are summarized as follows:

	2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Student loan asset-backed securities	$ 9,050,000	$ -	$ (649,715)	$ 8,400,285
Corporate debt securities	244,038,080	5,530,836	(6,609,056)	242,959,860
	$253,088,080	$5,530,836	$(7,258,771)	$251,360,145

	2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Student loan asset-backed securities	$ 9,050,000	$ -	$ (625,510)	$ 8,424,490
Corporate debt securities	290,878,188	4,417,324	(9,615,794)	285,679,718
	$ 299,928,188	$ 4,417,324	$ (10,241,304)	$ 294,104,208

Securities available for sale with unrealized losses at December 31, 2014 and 2013, are as follows:

2014	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or Longer Fair Value	12 Months or Longer Unrealized Losses	Total Fair Value	Total Unrealized Losses
Available for sale:						
Student loan asset-backed securities	$ -	$ -	$ 8,400,285	$ (649,715)	$ 8,400,285	$ (649,715)
Corporate debt securities			96,569,285	(6,609,056)	96,569,285	(6,609,056)
	$ -	$ -	$ 104,969,570	$ (7,258,771)	$ 104,969,570	$ (7,258,771)

2013	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or Longer Fair Value	12 Months or Longer Unrealized Losses	Total Fair Value	Total Unrealized Losses
Available for sale:						
Student loan asset-backed securities	$ -	$ -	$ 8,424,490	$ (625,510)	$ 8,424,490	$ (625,510)
Corporate debt securities	274,809,450	(9,334,687)	10,870,268	(281,107)	285,679,718	(9,615,794)
	$ 274,809,450	$ (9,334,687)	$ 19,294,758	$ (906,617)	$ 294,104,208	$ (10,241,304)

In evaluating whether an other-than-temporary decline in value has occurred in its securities portfolio at December 31, 2014 and 2013, 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 (ARS) market due to conditions in the US 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.

Management considers these declines 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.

As of December 31, 2014 and 2013, the Branch held $9,050,000 par value of investments in student loan asset-backed securities that are considered ARS. ARS are entirely composed of student loans that have long-term nominal maturities for which the interest rates are supposed to be reset through auction process each month. The Branch continues to earn interest on the ARS at the contractual rate.

Contractual maturities of student loan asset-backed securities and corporate debt securities classified as available for sale at December 31, 2014, are as follows:

	Amortized Cost	Fair Value
Due within one year	$ 12,177,796	$ 12,215,850
Due within one and five years	77,747,522	81,691,099
Due within five and ten years	152,267,473	147,267,911
Due after 10 years	10,895,289	10,185,285
	$253,088,080	$251,360,145

The Branch recognized gross realized gains and losses on the sale of available-for-sale securities during the year ended December 31, 2014, of approximately $691,000 and $745,000, respectively. The Branch recognized gross realized gains and losses on the sale of available-for-sale securities during the year ended December 31, 2013, of approximately $5,589,000 and $2,813,000, respectively.

At December 31, 2014 and 2013, securities available for sale totaling $13,705,000 and $27,632,000, respectively, are pledged as collateral for securities sold under agreements to repurchase.

At December 31, 2014 and 2013, securities available-for-sale totaling $89,196,351 and $140,643,192, respectively, are pledged as collateral for borrowings (see Note 8).

3. LOANS AND ALLOWANCE FOR LOAN LOSSES

At December 31, 2014 and 2013, the Branch had loans outstanding as follows:

	2014	2013
Commercial	$ 1,264,852,609	$ 884,786,404
Financial institutions	102,332,694	176,175,411
Individual	991,332	26,541,430
	1,368,176,635	1,087,503,245
Less:		
Allowance for loan losses	(12,725,000)	(15,464,000)
Deferred loan fees and discount, net	(2,801,116)	(2,833,149)
	$ 1,352,650,519	$ 1,069,206,096

As of December 31, 2014 and 2013, the Branch’s loan portfolio consists mainly of working capital loans, trade financing loans, personal loans, syndicated loans, and discounted acceptances. As of December 31, 2014, loan discounts, net amounted to $2,193,678, included in deferred loan fees and discounts, net.

At December 31, 2014, the Branch had loans outstanding with risk in the following countries:

	Commercial	Financial Institutions	Individual	Total
United States	$ 572,960,918	$ -	$ 246,132	$ 573,207,050
Peru	307,402,661	49,000,000		356,402,661
Brazil	138,617,270	21,999,999		160,617,269
Chile	91,617,767		745,200	92,362,967
Mexico	55,500,000	10,000,000		65,500,000
Colombia	61,785,730			61,785,730
Holland	34,916,126			34,916,126
Panama	1,170,000	21,332,695		22,502,695
Canada	882,137			882,137
	$1,264,852,609	$102,332,694	$991,332	$1,368,176,635

At December 31, 2013, the Branch had loans outstanding with risk in the following countries:

	Commercial	Financial Institutions	Individual	Total
United States	$226,277,091	$ 4,500,000	$26,070,187	$ 256,847,278
Chile	192,108,408		366,243	192,474,651
Peru	187,891,265	19,180,328	105,000	207,176,593
Mexico	32,854,826	10,000,000		42,854,826
Brazil	136,406,630	69,999,998		206,406,628
Panama	17,463,333	18,989,735		36,453,068
Colombia	53,704,706	15,000,000		68,704,706
Holland	22,888,087			22,888,087
Canada	15,192,058			15,192,058
Turkey		28,505,350		28,505,350
Costa Rica		10,000,000		10,000,000
	$884,786,404	$176,175,411	$26,541,430	$1,087,503,245

Risk Management—The Branch has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies, and nonperforming and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Commercial, financial institution, and individual loans are subject to underwriting standards that are designed to promote relationship banking rather than transactional banking. Once it is determined that the borrower's management possesses sound ethics and solid business acumen for loans that are underwritten by the Head Office, the Head Office's management examines the relative information for a specific loan and presents the loan for approval within the loan review committee at the Head Office. For loans that are underwritten by the Branch, the Branch's management examines the relative information for a specific loan and presents to the Head Office for approval. All loans require Head Office approval.

Commercial, financial institution, and individual loans are primarily based on the identified cash flows of the borrower and secondarily on the guarantees provided by the borrower. Commercial, financial institution, and individual loans are secured by the assets being financed or other business assets, such as accounts receivable, inventory or real estate, and the company itself, and may incorporate a personal guarantee. In the case of loans secured by an operating asset, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Nonaccrual and Past Due Loans—Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when management believes the borrower may be unable to meet payment obligations as they become due, which is typically 90 days, as well as when required by regulatory provisions.

Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Nonaccrual loans segregated by class of loans at December 31, 2014 and 2013, are as follows:

	2014	2013
Commercial	$ 3,171,879	$ 14,600,398
Financial institutions		
Individual		
	$ 3,171,879	$ 14,600,398

Interest income that would have been recorded on nonaccrual loans, if such loans were performing in accordance with their original terms, for the years ended December 31, 2014 and 2013, was approximately $382,000 and $390,000, respectively.

An age analysis of past due loans, segregated by class of loans, at December 31, 2014 and 2013, is as follows:

2014	Loans 30–89 Days Past Due	Loans 90 or More Days Past Due	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 or More Days Past Due
Commercial	$ -	$240,978	$240,978	$1,264,611,631	$1,264,852,609	$ -
Financial institutions				102,332,694	102,332,694	
Individuals				991,332	991,332	
Total	$ -	$240,978	$240,978	$1,367,935,657	$1,368,176,635	$ -

2013	Loans 30–89 Days Past Due	Loans 90 or More Days Past Due	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 or More Days Past Due
Commercial	$ -	$14,600,398	$14,600,398	$ 870,186,006	$ 884,786,404	$ -
Financial institutions				176,175,411	176,175,411	
Individuals				26,541,430	26,541,430	
Total	$ -	$14,600,398	$14,600,398	$1,072,902,847	$1,087,503,245	$ -

Impaired Loans—Loans are considered impaired when, based on current information and events, it is probable that the Branch will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported net at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Impaired loans at December 31, 2014 and 2013, are set forth as follows:

2014	Unpaid Contractual Principal Balance	Recorded Investment with no Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial	$7,051,173	$ -	$3,171,879	$3,171,879	$1,706,000	$4,649,772
Financial institution						
Individuals						
Total	$7,051,173	$ -	$3,171,879	$3,171,879	$1,706,000	$4,649,772

2013	Unpaid Contractual Principal Balance	Recorded Investment with no Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial	$17,107,626	$ -	$14,600,398	$14,600,398	$9,026,000	$14,775,834
Financial institution						
Individuals						
Total	$17,107,626	$ -	$14,600,398	$14,600,398	$9,026,000	$14,775,834

The Branch did not record interest on impaired loans during the years ended December 31, 2014 and 2013.

Loan Modifications—A restructuring of a loan constitutes a TDR if the Branch for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. The loan modifications that are considered a TDR by the Branch pertain to restructuring the terms of the loan to alleviate the burden of the borrower's near-term cash requirements, which include modifying the terms to reduce or defer cash payments required of the borrower in the near future to help the borrower attempt to improve its financial condition and eventually be able to pay the loan. The concession is granted by the Branch as an attempt to protect the Branch's investment on the loan as much as possible. The primary concessions provided by the Branch are a reduction of the stated interest rate for the remaining original life of the loan, extension of the maturity date or dates at a stated interest rate lower than the current market rate for a new loan with similar risk, reduction of the face amount or maturity amount of the loan as stated in the loan agreement, and reduction of accrued interest.

The Branch considers all of the loans that were modified as a TDR as impaired loans. The Branch did not have any commitment to lend on TDR loans at December 31, 2014 and 2013.

The Branch did not have any loans that were modified and considered TDR during 2014 and 2013.

During the years ended December 31, 2014 and 2013, the Branch did not have any loans that were considered TDR and defaulted under the terms and conditions of the modification.

At December 31, 2014 and 2013, the Branch has loans of approximately $2,931,000 and $6,163,000, respectively, that are considered TDR.

Credit Quality Indicators—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. Additionally, in developing and maintaining loss measurements, management also monitors 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 values 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 TDR 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.

Alternative measurement basis used by the Branch is as follows:

- The loan’s observable market price
- 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 is 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 below:

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 are as follows:

- Other assets especially mentioned/other loans especially mentioned (OLEM) (credit grade "3")

  Assets in this category are performing but are potentially weak. These 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 constitutes an unwarranted risk in light of the circumstances surrounding a specific asset.

  This category should not be used to list assets that 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 Branch 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 as substandard.

- Doubtful (credit grade "5")

  An asset classified as doubtful has all the weaknesses inherent in one classified as 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 that 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 as 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.

The Branch's loans grouped by classification segmented by the class of loans at December 31, 2014 and 2013, are presented as follows:

2014	**Commercial**	**Financial Institutions**	**Individuals**	**Total**
Classification:				
Not criticized	$1,261,680,730	$102,332,694	$991,332	$1,365,004,756
OLEM				-
Substandard	2,930,901			2,930,901
Doubtful				-
Loss	240,978			240,978
Total	$1,264,852,609	$102,332,694	$991,332	$1,368,176,635

2013	**Commercial**	**Financial Institutions**	**Individuals**	**Total**
Classification:				
Not criticized	$870,186,006	$176,175,411	$26,541,430	$1,072,902,847
OLEM				-
Substandard	6,163,631			6,163,631
Doubtful				-
Loss	8,436,767			8,436,767
Total	$884,786,404	$176,175,411	$26,541,430	$1,087,503,245

Allowance for Loan Loss—Transactions affecting the allowance for loan losses during the years ended December 31, 2014 and 2013, by class of loans; the Branch's allowance for loan losses for individually allocated and unallocated by class of loans; and the Branch's loans, by class of loans, related to individually allocated and unallocated allowance for loan losses at December 31, 2014 and 2013, are summarized as follows:

2014	Commercial	Financial Institutions	Individuals	Total
Allowance for loan losses:				
Beginning balance	$14,307,699	$997,052	$ 159,249	$15,464,000
Provision for loan losses	5,999,155	(85,268)	(150,416)	5,763,471
Recoveries				
Loan charged-off	(8,502,471)			(8,502,471)
Ending balance	$11,804,383	$911,784	$ 8,833	$12,725,000
Ending balance—individually evaluated for impairment (individually allocated)	$ 1,706,000	$ -	$ -	$ 1,706,000
Ending balance—collectively evaluated for impairment (unallocated)	$10,098,383	$911,784	$ 8,833	$11,019,000
Ending balance—loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -

2013	Commercial	Financial Institutions	Individuals	Total
Allowance for loan losses:				
Beginning balance	$12,110,216	$ 42,784	$ -	$12,153,000
Provision for loan losses	6,688,949	954,268	159,249	7,802,466
Recoveries				-
Loan charged-off	(4,491,466)			(4,491,466)
Ending balance	$14,307,699	$997,052	$159,249	$15,464,000
Ending balance—individually evaluated for impairment (individually allocated)	$ 9,026,000	$ -	$ -	$ 9,026,000
Ending balance—collectively evaluated for impairment (unallocated)	$ 5,281,699	$997,052	$159,249	$ 6,438,000
Ending balance—loans acquired with deteriorated credit quality	$ -	$ -	$ -	$ -

The Branch's loans grouped by classification segmented by the class of loans at December 31, 2014 and 2013, are presented as follows:

2014	Commercial	Financial Institutions	Individuals	Total
Loans:				
Individually evaluated for impairment	$ 3,171,879	$ -	$ -	$ 3,171,879
Collectively evaluated for impairment	1,261,680,730	102,332,694	991,332	1,365,004,756
Loans acquired with deteriorated credit quality				
Total	$ 1,264,852,609	$ 102,332,694	$ 991,332	$ 1,368,176,635

2013	Commercial	Financial Institutions	Individuals	Total
Loans:				
Individually evaluated for impairment	$ 14,600,398	$ -	$ -	$ 14,600,398
Collectively evaluated for impairment	870,186,006	176,175,411	26,541,430	1,072,902,847
Loans acquired with deteriorated credit quality				
Total	$ 884,786,404	$ 176,175,411	$ 26,541,430	$ 1,087,503,245

Purchase and Sale of Loans—During 2014, the Branch purchased and sold approximately $399,695,199 and $15,000,000 of loans held for investment, respectively. During 2013, the Branch purchased approximately $21,000,000 of loans with the intention to sell. During 2013, the Branch did not sell any loans that were originated or purchased with the intention to sell. During 2014, the Branch transferred $21,000,000 of loans with the intention to sell to held for investment.

4. PREMISES AND EQUIPMENT

At December 31, 2014 and 2013, premises and equipment included the following:

	2014	2013
Furniture, fixtures, and equipment	$ 3,894,616	$ 3,035,675
Leasehold improvements	657,428	603,303
	4,552,044	3,638,978
Less accumulated depreciation and amortization	(2,514,549)	(2,125,105)
	$ 2,037,495	$ 1,513,873

Depreciation and amortization expense amounted to approximately $389,000 and $470,000, respectively, at December 31, 2014 and 2013.

5. TIME DEPOSITS

Time deposits in denominations of $100,000 or more amounted to approximately $1,251,000,000 and $1,129,000,000 at December 31, 2014 and 2013, respectively.

The amounts of scheduled maturities of time deposits at December 31, 2014, are as follows:

2015	$1,182,216,764
2016	88,143,237
	$1,270,360,001

Interest on deposits for the years ended December 31, 2014 and 2013, includes the following:

	2014	2013
Demand—interest bearing	$ 70,781	$ 119,240
Time	7,897,725	7,923,977
	$7,968,506	$8,043,217

6. DERIVATIVE INSTRUMENTS

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 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 does not enter into derivatives for speculative or trading purposes.

For the derivatives designated as hedged instruments, the Branch remained effectively hedged as of December 31, 2014 and 2013. The Branch also had certain derivative instruments that were not designated or did not qualify for hedge accounting. The objective and purpose for all of the Branch's derivatives are the same whether they are designated as a hedge instrument or not.

At December 31, 2014 and 2013, derivatives instruments included the following:

2014	Fair Value Hedges (FV)	Notional Amount	Fair Value Asset	Notional Amount	Fair Value (Liability)	Gross Unrealized Gain	(Loss)
Derivative instruments not designated as hedging instruments:							
Interest rate swaps	FV	$76,724,165	$1,093,966	$76,724,165	$(1,030,422)	$1,093,966	$(1,030,422)
Option	FV	19,158,200	249,231			249,231	
			1,343,197		(1,030,422)	1,343,197	(1,030,422)
Derivative instruments designated as hedging instruments—interest rate swaps	FV			$65,150,000	(3,518,621)		(3,518,621)
			$1,343,197		$(4,549,043)	$1,343,197	$(4,549,043)

2013	Fair Value Hedges (FV)	Notional Amount	Fair Value Asset	Notional Amount	Fair Value (Liability)	Gross Unrealized Gain	(Loss)
Derivative instruments not designated as hedging instruments:							
Interest rate swaps	FV	$71,085,184	$526,504	$71,085,184	$ (442,256)	$526,504	$ (442,256)
Option	FV	15,471,000	441,262			441,262	
			967,766		(442,256)	967,766	(442,256)
Derivative instruments designated as hedging instruments—interest rate swaps	FV			$76,075,000	(3,925,288)		(3,925,288)
			$967,766		$(4,367,544)	$967,766	$(4,367,544)

For the derivatives that are designated as hedge instruments, the gains and losses of the derivative as well as the portion of the unrealized gains or losses of the hedged instrument (i.e., securities available for sale) that was attributable to the risk being hedged are recorded in the results of operations within other noninterest income. For the derivatives that are not designated as hedge instruments, the gains and losses of the derivative are recorded in the results of operations within loan interest income, net and other noninterest income.

The effect of the Branch's derivative instruments not designated as a hedging instrument recorded within the Branch's statement of operations and comprehensive income for the year ended December 31, 2014, is summarized as follows:

		Amount of Gain (Loss) Recognized in Earnings
Derivatives not designated as hedging instruments:		
Interest rate swaps	Loan—interest income—net	$ 22,813
Interest rate swaps	Other—non interest income	$ (20,703)
Options	Other—non interest income	$ (30,970)

The effect of the Branch's derivative instruments not designated as a hedging instrument recorded within the Branch's statement of operations and comprehensive income for the year ended December 31, 2013, is summarized as follows:

		Amount of Gain (Loss) Recognized in Earnings
Derivatives not designated as hedging instruments:		
Interest rate swaps	Loan—interest income—net	$ 24,807

The ineffective amount of the Branch's derivative instruments designated as a hedging instrument recorded within the Branch's statements of operations and comprehensive income for the years ended December 31, 2014 and 2013, is not significant.

The terms of outstanding swaps at December 31, 2014, are as follows:

Derivatives Instruments Designated as Hedging Instruments

Number of Contracts	Maturity	Notional	Fair Value (Liability)
4	2015	$ 11,610,000	$ (116,148)
2	2017	4,090,000	(173,281)
11	2019	49,450,000	(3,229,193)
			$ (3,518,622)

Derivatives Instruments Not Designated as Hedging Instruments

Asset

Number of Contracts	Maturity	Notional	Fair Value
1	2015	$ 9,350,000	$ 122,682
3	2016	14,474,867	174,301
2	2019	23,600,000	66,055
1	2020	16,957,500	302,866
4	2021	13,833,332	322,745
1	2023	17,666,666	354,548
			$ 1,343,197

Liability

Number of Contracts	Maturity	Notional	Fair Value
1	2016	$ 4,666,667	$ (47,752)
2	2019	23,600,000	(66,055)
1	2020	16,957,500	(302,866)
4	2021	13,833,332	(259,201)
1	2023	17,666,666	(354,548)
			$ (1,030,422)

7. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

The information concerning repurchase agreements as of and for the years ended December 31, 2014 and 2013, is as follows:

	2104	2013
Securities sold under agreements to repurchase at year-end	$ 13,709,000	$ 27,632,000
Maximum amount of outstanding agreements at any month-end during the year	28,123,000	33,426,000
Average amount outstanding during the year	15,141,500	40,640,645
Weighted-average interest rate at year-end	0.08 %	0.06 %

8. BORROWINGS

At December 31, 2014 and 2013, borrowing instruments included the following:

	2014	2013
Total Return Swaps (TRS)	$ 89,196,351	$ 140,643,192
Commercial Paper (CP)	540,545,373	496,828,525
Financial Institutions	30,000,000	144,405,350
	$ 659,741,724	$ 781,877,067

TRS—TRS are borrowings that simulate 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. Interest rates on the TRS were 0.82% and matured during January 2015.

CP—The CP program is primarily a short-term funding source for the Branch. The issuing of CP may be done on a daily basis with maturities ranging from one day to one year with an expected volume no greater than $1,000,000,000. Each transaction is based on prevailing market rates at the time the contract is entered into. Interest rates on CP were 0.37% to 0.47% and maturities are during January 2015 through March 2015.

Financial Institutions—The Branch entered into borrowing agreements with other financial institutions. The borrowings' contractual rates are based on LIBOR, plus a spread. Interest rates on borrowings with a financial institution were 1.43% to 1.67% and maturities during September 2015 through March 2017.

Annual maturities of the borrowings at December 31, 2014, are as follows:

Years Ending December 31	Borrowings
2015	$634,741,724
2016	15,000,000
2017	10,000,000
	$659,741,724

9. TRANSACTIONS WITH HEAD OFFICE, BRANCHES, AND AFFILIATES

Balances with the Head Office, branches, and affiliates at December 31, 2014 and 2013, and for the years then ended are as follows:

	2014	2013
Assets:		
Time deposits due from related institutions	$ 215,589,886	$ 10,193,135
Time deposits due from related institutions with original maturity in excess of 90 days	296,678,698	620,128,026
Accrued interest receivable	521,728	698,720
Derivative instruments	14,727	
Other assets	533	9,903
Total related institutions assets	512,805,572	631,029,784
Liabilities:		
Demand deposits	17,210,407	30,498,387
Derivative instruments	4,534,316	4,367,544
Accrued interest payable	1,143,897	977,162
Borrowings	875,909,310	690,000,000
Total related institutions liabilities	898,797,930	725,843,092
Head Office equity	93,169,138	69,420,682
Total related institutions liabilities and Head Office equity	991,967,068	795,263,774
Net related institution liability position	$(479,161,496)	$(164,233,990)
Interest income	$ 5,052,152	$ 9,116,382
Interest expense	6,387,384	5,120,588
Noninterest income	347,146	
Noninterest expense	81,898	58,316

The Branch has entered into interest rate swaps with its Head Office. The nominal values of these instruments as of December 31, 2014 and 2013, total approximately $142,000,000 and $147,000,000, respectively (see Note 6).

Time deposits due from the Head Office amounted to approximately $512,000,000 and $630,000,000 as of December 31, 2014 and 2013, respectively. These time deposits are short term and earn interest at a weighted average of 0.52% and 0.76% for the years ended December 31, 2014 and 2013, respectively.

Borrowings from the Head Office amounted to approximately $876,000,000 and $690,000,000 as of December 31, 2014 and 2013, respectively, and are included within amounts due to Head Office, branches, and affiliates within the accompanying statements of assets, liabilities, and Head Office equity. These borrowings are short term and earn interest at a weighted average of 0.27% and 0.23% for the years ended December 31, 2014 and 2013, respectively.

Demand deposits from the Head Office and affiliates are included within amounts due to Head Office, branches, and affiliates within the accompanying statements of assets, liabilities, and Head Office equity.

10. INCOME TAXES

The components of income tax expense (benefit) for the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Current:		
Federal	$ -	$ -
State		
	-	-
Deferred taxes:		
Federal	894,726	1,780,288
State	91,517	182,098
Provision for valuation allowance	(986,243)	(1,962,386)
	-	-
	$ -	$ -

The major permanent differences between the results in operations and US taxable income are noneffectively connected income and interest expense disallowance.

At December 31, 2014, the Branch had federal and state tax loss carryforwards available to reduce future taxable income of approximately $9,200,000 that will commence to expire during 2028.

The total deferred tax assets and liabilities and valuation allowance at December 31, 2014 and 2013, are as follows:

	2014	2013
Deferred tax assets:		
Net operating loss carryforwards	$ 3,331,345	$ 5,508,901
Allowance for loan losses	2,868,094	2,001,394
Deferred loan fees	916,074	1,092,113
Other	557,288	
	7,672,801	8,602,408
Valuation allowance	(7,485,193)	(8,471,436)
Deferred tax asset—net	187,608	130,972
Deferred tax liability—other	(187,608)	(130,972)
	$ -	$ -

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not, based on an evaluation of both positive and negative evidence as defined in FASB Accounting Standards Codification (ASC) 740, *Income Taxes*, that some portion or all of the deferred tax assets will not be realized. Under FASB ASC 740, management must consider the scheduled reversal of deferred tax assets, projected future taxable income, and tax-planning strategies in making this assessment. 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 assets will not be realized as of December 31, 2014 and 2013.

The Branch accounts for uncertainty in income taxes by recognizing in its financial statements the tax effects of a position only if it is more likely than not to be sustained based solely on its technical merits; otherwise, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. As of December 31, 2014 and 2013, the Branch has not recorded any unrecognized tax benefits in the accompanying statements of assets, liabilities, and Head Office equity. Management does not expect that unrecognized tax benefits will increase within the next 12 months. In the event the Branch was to recognize interest and penalties related to uncertain tax positions, they would be recognized in the financial statements as income tax expense. The Branch's tax years subject to federal and state examinations are 2011–2014.

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 matching contributions of approximately $98,000 and $70,000 during 2014 and 2013, 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 statements 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 $53,500,000 and $45,900,000, respectively, at December 31, 2014, and $66,800,000 and $44,000,000, respectively, at December 31, 2013. As of December 31, 2014, the Branch had approximately $3,153,000 in confirmed standby letters of credit issued by the Head Office. As of December 31, 2013, the Branch did not have any confirmed standby letters of credit by the Head Office. 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, 2014, the Branch's standby letters of credit range in term from one to 12 months and are partially secured by cash. The Branch also has issued or confirmed commercial letters of credit in the amount of approximately $2,080,000 and $1,281,000 at December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, the Branch's commitment to extend credit was approximately $333,000,000 and $289,000,000, respectively.

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 it does 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.

During 2012, the Branch entered into an operating lease for its office space. The Branch also leases other equipment under various operating leases. Total future minimum annual lease payments under operating lease agreements at December 31, 2014, are as follows:

Years Ending December 31	Minimum Rental Payments
2015	$ 614,000
2016	642,000
2017	670,000
2018	698,000
2019	726,000
Thereafter	4,274,000
	$7,624,000

Rent expense was approximately $1,185,000 and $1,108,000 for the years ended December 31, 2014 and 2013, respectively.

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

Recurring—The Branch's fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2014 and 2013, is as follows:

	Fair Value Measurement at December 31, 2014		
	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	$ -	$ 242,959,860	$ -
Student loan asset-backed securities			8,400,285
Derivative instruments:			
Derivative assets		1,343,197	
Derivative liabilities		(4,549,043)	
	$ -	$ 239,754,014	$ 8,400,285

	Fair Value Measurement at December 31, 2013		
	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	$ -	$ 285,679,718	$ -
Student loan asset-backed securities			8,424,490
Derivative instruments:			
Derivative assets		967,766	
Derivative liabilities		(4,367,544)	
	$ -	$ 282,279,940	$ 8,424,490

Level 2 Valuation Techniques—The valuation of the securities available for sale is performed through a monthly pricing process using data of independent pricing providers. These pricing providers 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 of the derivatives is performed through a discontinued cash flow model using forward US dollar LIBOR curve and the contractual terms of the derivative instrument.

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 are 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 the student loan asset-backed securities 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.

The table below includes a rollforward of the statements of assets, liabilities, and Head Office equity amounts for the years ended December 31, 2014 and 2013 (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:

	Securities Available for Sale
Balance—December 31, 2012	$ 8,327,425
Unrealized gain included in the statement of other comprehensive income	97,065
Balance—December 31, 2013	8,424,490
Unrealized loss included in the statement of other comprehensive income	(24,205)
Balance—December 31, 2014	$ 8,400,285

Interest income for the years ended December 31, 2014 and 2013, for student loan asset-backed securities that are measured on a recurring basis using significant unobservable inputs were $99,350 and $102,294, respectively, and are included within securities interest income in the accompanying statement of operations and comprehensive income.

Total unrealized (losses) gains included in other comprehensive income attributable to unrealized (losses) gains related to the student loan asset-backed securities still held as of December 31, 2014 and 2013, were $(24,205) and $97,065, respectively.

The information at December 31, 2014, about significant unobservable inputs related to the Branch's Level 3 financial assets measured on a recurring basis is as follows:

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted Average
Student loan asset-backed securities	$ 8,400,285	Discounted cash flow model	Principal returned probability	95.17%–95.37%	95.27%
			Default probability	4.62%–4.82%	4.72%
			Liquidity risk premium	2.50%–3.50%	3.0%
			Recovery rate	40%–60%	50%
			Maximum rate probability	0.92%	0.92%

The information at December 31, 2013, about significant unobservable inputs related to the Branch's Level 3 financial assets measured on a recurring basis is as follows:

Financial Instrument	Fair Value	Valuation Technique	Significant Unobservable Inputs	Ranges of Inputs	Weighted Average
Student loan asset-backed securities	$ 8,424,490	Discounted cash flow model	Principal returned probability	96.05%–96.2%	96.13 %
			Default probability	3.79%–3.94%	3.87%
			Liquidity risk premium	3.50%–4.50%	4.0%
			Recovery rate	40%–60%	50%
			Maximum rate probability	0.87%–1.82%	1.3%

Non-recurring—The Level 3 impaired loans were reported at the fair value, measured by the present value of the expected future cash flows discounted at the loan's effective rate, 4.25%.

The types of loans that were remeasured and reported at fair value on a nonrecurring basis at December 31, 2014 and 2013, are listed within Note 3.

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 values 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. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since December 31, 2014, and therefore, current estimates of fair value may differ significantly from the amounts presented herein:

	2014		2013	
	Carrying Amount	Fair Values	Carrying Amount	Fair Values
Assets:				
Cash and cash equivalents	$1,234,821,880	$1,234,821,880	$ 924,587,992	$ 924,587,992
Time deposits due from related institutions with original maturities in excess of 90 days	215,589,886	215,589,886	620,128,026	620,128,026
Securities available for sale	253,088,080	251,360,145	294,104,208	294,104,208
Loans	1,368,176,635	1,377,124,000	1,087,503,245	1,087,000,000
Loans held for sale			21,052,927	21,031,604
Accrued interest receivable	9,486,911	9,486,911	8,705,002	8,705,002
Derivative instrument	1,343,197	1,343,197	967,766	967,766
Liabilities:				
Demand deposits, noninterest bearing	96,526,145	96,526,145	77,009,500	77,009,500
Demand deposits, interest bearing	17,691,740	17,691,740	66,246,811	66,246,811
Time deposits	1,270,360,001	1,270,480,000	1,168,511,523	1,169,000,000
Amounts due to head office, branches and affiliates	893,119,716	893,489,000	720,498,387	720,498,387
Securities sold under agreement to repurchase	13,709,000	13,709,000	27,632,000	27,632,000
Borrowings	659,741,724	660,053,000	781,877,067	780,450,825
Derivative instrument	4,549,043	4,549,043	4,367,544	4,367,544
Accrued interest payable	16,257,145	16,257,145	2,743,338	2,743,338

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 carrying value is used as a reasonable estimate of fair value for cash and cash equivalents; accrued interest receivable; demand and savings deposits; securities sold under agreements to repurchase; accrued interest payable; and deposits due to Head Office, branches, and affiliates.

- Fair values of securities are based on quoted market prices and pricing models (see Notes 3 and 13).

- Fair value of loans is estimated by discounting the future cash flows using the current rates at which similar instruments would be issued with comparable terms.

- 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.

- 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 values of commercial letters of credit, standby letters of credit, and commitments are to extend approximate carrying value due to the insignificant differences between the stated rates and the current market rates. The fair values of the off-balance-sheet instruments at December 31, 2014 and 2013, are not significant.

15. REGULATORY MATTERS

The Florida Department of Financial Services (the "Department of Financial Services") 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 of Financial Services (the "Asset Maintenance Requirements"). As an alternative, the Department of Financial Services may, by rule, permit an international banking branch to maintain dollar deposits or investment securities in an amount specified by the Department of Financial Services 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 of Financial Services. At December 31, 2014 and 2013, 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, 2015. The Branch has not identified any events that would require disclosure or have a material impact on the financial position, results of operations and comprehensive income, or cash flows of the Branch as of and for the year ended December 31, 2014.

M. Grisel Vega	Carlos Celorio
GENERAL MANAGER	Vice President
Bci Miami Branch	Bci Miami Branch

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SUPPLEMENTAL INFORMATION SCHEDULES

BANCO DE CREDITO E INVERSIONES, S.A., MIAMI BRANCH

SUPPLEMENTAL INFORMATION SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

1. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	Maturity of the Agreement						Balance as of 12/31/2014	
	Up to 3 Months		3 Months to 1 Year		Over 1 Year			
Type of Security		Avg. Rate		Avg. Rate		Avg. Rate		Avg. Rate
Related individual or corporation	$ -	- %	$ -	- %	$ -	- %	$ -	- %
Unrelated individual or corporation	13,709,000	0.08					13,709,000	0.08
Banks								
Securities broker								
Total	$13,709,000	0.08 %	$ -	- %	$ -	- %	$13,709,000	0.08 %

2. DERIVATIVE INSTRUMENTS

A summary table detailing the financial instruments hedged and derivative financial instrument used in hedge accounting as of December 31, 2014, is as follows:

Financial instrument hedged—securities available-for-sale (par value)	$65,150,000
Total	$65,150,000
Hedging derivatives—interest rate swap (notional)	$65,150,000
Total	$65,150,000