

**Banco de Credito e Inversiones, S.A.,**  
**Miami Branch**  
**Financial Statements**  
**December 31, 2008 and 2007**

**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, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles which, as described in Note 1, are generally accepted in Chile. These financial statements are the responsibility of the Branch's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

January 27, 2009



**Banco de Credito e Inversiones, S.A., Miami Branch**  
**Statements of Operations**  
**(Expressed in U.S. dollars)**  
**Years Ended December 31, 2008 and 2007**

	2008	2007
Interest income	\$ 40,075,164	\$ 48,278,787
Interest expense	<u>(30,298,593)</u>	<u>(41,274,344)</u>
Net interest income	9,776,571	7,004,443
Commission income	2,482,998	1,335,636
Commission expense	<u>(44,078)</u>	<u>(27,202)</u>
Net commission income	2,438,920	1,308,434
Net loss from financial activities	<u>(239,921)</u>	<u>(202,297)</u>
Total operating income	11,975,570	8,110,580
Allowance for loan losses	<u>(1,899,000)</u>	<u>(36,082)</u>
Net operating income	10,076,570	8,074,498
Salaries and employee benefits	(3,310,236)	(2,709,530)
Administrative expenses	(1,669,755)	(1,545,452)
Depreciation and amortization	<u>(179,030)</u>	<u>(136,299)</u>
Total operating expenses	(5,159,021)	(4,391,281)
Net operating income	4,917,549	3,683,217
Net income before provision for income tax	4,917,549	3,683,217
Income tax expense	<u>-</u>	<u>-</u>
Net income	4,917,549	3,683,217
<b>Other comprehensive income</b>		
net unrealized holding (losses) gains on securities available for sale arising during the year	<u>(477,733)</u>	<u>127,389</u>
Other comprehensive (loss) income	<u>(477,733)</u>	<u>127,389</u>
Comprehensive income	<u>\$ 4,439,816</u>	<u>\$ 3,810,606</u>

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

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

**Statements of Retained Earnings**

(Expressed in U.S. dollars)

**Years Ended December 31, 2008 and 2007**

	Assigned Capital	Other Comprehensive Income	Retained (Deficit) Earnings	Total Head Office Equity
<b>Balance, January 1, 2007</b>	\$ 19,413,389	\$ (18,101)	\$ (2,138,627)	\$ 17,256,661
Net income	-	-	3,683,217	3,683,217
Change in fair value of investment securities available for sale	-	127,389	-	127,389
<b>Balance, December 31, 2007</b>	19,413,389	109,288	1,544,590	21,067,267
Net income	-	-	4,917,549	4,917,549
Change in fair value of investment securities available for sale	-	(477,733)	-	(477,733)
<b>Balance, December 31, 2008</b>	\$ 19,413,389	\$ (368,445)	\$ 6,462,139	\$ 25,507,083

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

**Banco de Credito e Inversiones, S.A., Miami Branch**  
**Statements of Cash Flows**  
**(Expressed in U.S. Dollars)**  
**Years Ended December 31, 2008 and 2007**

	2008	2007
<b>Cash flows from operating activities</b>		
Net income	\$ 4,917,549	\$ 3,683,217
Loss from financial activities	239,921	202,297
Depreciation and amortization	179,030	136,299
Provision for loan losses	1,899,000	36,082
Net change in interest on assets and liabilities	<u>(1,116,690)</u>	<u>(2,007,825)</u>
Net cash provided by operating activities	6,118,809	2,050,070
<b>Cash flows from investing activities</b>		
Net increase in loans	(148,185,865)	(39,823,553)
Net decrease in trading investments	20,278,108	30,144,930
Net decrease in investment securities available for sale	17,929,626	(10,059,706)
Increase (decrease) in obligations under repurchase agreements	(3,328,000)	(4,569,000)
Capital expenditures	(169,067)	(137,288)
Other assets	2,752,091	(2,396,612)
Other liabilities	<u>894,271</u>	<u>423,998</u>
Net cash used in investing activities	(109,828,836)	(26,417,231)
<b>Cash flows from financing activities</b>		
Increase in demand deposits	24,771,828	6,692,861
(Decrease) increase in time deposits	(251,281,569)	268,138,506
Increase in other sight and term obligations	17,749,149	9,215,092
Increase in borrowings from financial institutions	<u>87,144,156</u>	<u>7,867,792</u>
Net cash (used in) provided by financing activities	(121,616,436)	291,914,251
Net (decrease) increase in cash and due from banks	(225,326,462)	267,547,090
Cash and due from banks, beginning of the year	<u>595,032,090</u>	<u>327,485,000</u>
Cash and due from banks, end of the year	<u>\$ 369,705,628</u>	<u>\$ 595,032,090</u>

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

**Banco de Credito e Inversiones, S.A., Miami Branch**  
**Notes to Financial Statements**  
**(Expressed in U.S. Dollars)**  
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**1. Nature of Business and Summary of Significant Accounting Policies**

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

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

**Basis of Presentation**

The financial statements have been prepared from the records of the Branch, which contain evidence that transactions have been entered into and recorded locally. Because the Branch is part of the Head Office, its financial statements do not necessarily reflect all allocations to or from Head Office or other financial matters that may be applicable to the Branch. Further, because of the relationship with the Head Office, it is possible that the transactions recorded locally may not be the same as transactions among wholly unrelated parties.

**Income Recognition**

Interest income is recognized on the accrual basis.

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

**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.

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

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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, 2007 and 2008, the Branch did not have any non-hedging derivatives.

**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.

**Loans and Allowance for Loan Losses**

Loans are stated at the amount of unpaid principal plus accrued interest, reduced by an allowance for loan losses in accordance with regulations established by the Banking Superintendency. Interest on loans is calculated using the interest method on the daily balances of the outstanding principal amount. Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and the results of collection efforts, that the borrower's financial condition is such that collection of interest or principal is doubtful or when a loan becomes contractually past due 90 days or more with respect to interest or principal.

The provision for loan losses is the amount which is required to bring the allowance for loan losses to a level which, in management's judgment, will be adequate to absorb losses on existing loans. If future events result in deterioration of the loan portfolio, additional provisions will be made as the facts become evident.

**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.

**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.

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**Interest Rate Risk**

The Branch's performance is dependent to a large extent on its net interest income, which is the difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities. The Branch, like most financial institutions, is affected by changes in general interest rate levels and by other economic factors beyond its control. Interest rate risk arises from mismatches between the dollar amount of repricing or maturing assets and liabilities, and is measured in terms of the ratio of the interest rate sensitivity gap to total assets. More assets repricing or maturing than liabilities over a given time frame is considered asset-sensitive, or a positive gap, and more liabilities repricing or maturing than assets over a given time frame is considered liability-sensitive, or a negative gap. An asset-sensitive position will generally enhance earnings in a rising interest rate environment and will negatively impact earnings in a falling interest rate environment, while a liability-sensitive position will generally enhance earnings in a falling interest rate environment and negatively impact earnings in a rising interest rate environment. Fluctuations in interest rates are not predictable or controllable. The Branch has attempted to structure its asset and liability management strategies to mitigate the impact on net interest income of changes in market interest rates.

**Reclassifications**

Certain reclassifications have been made to the December 31, 2007 financial statements to conform with current presentation.

**2. Cash and Due from Banks**

Cash and due from banks comprise of the following:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Cash and due from banks		
Cash	\$ 55,504	\$ 100,189
Deposits held with domestic institutions (Head Office)	268,249,629	396,000,000
Deposits held with foreign institutions	<u>101,451,469</u>	<u>198,931,901</u>
Total cash and due from banks	<u>\$ 369,756,601</u>	<u>\$ 595,032,090</u>

Balance due from Head Office amounted to approximately \$268,000,000 as of December 31, 2008. These time deposits are short term and earn interest at the weighted average of 3.97% for the year ended December 31, 2008.

As of December 31, 2008, the branch maintained deposits with the Federal Reserve Bank of the United States of America of approximately \$101,000,000. The Federal Reserve Bank pay interest on required reserve balances and on balances held in excess of required reserve balances and contractual clearing balances.

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**3. Trading Investment Securities**

The amortized cost and estimated fair value of trading investment securities at December 31, 2007 are summarized as follows:

December 31, 2007	Amortized Cost	Gross Unrealized		Carrying Value
		Gains	Losses	
Foreign debt securities from private sector	\$ 20,374,062	\$ 8,011	\$ (103,965)	\$ 20,278,108
	\$ 20,374,062	\$ 8,011	\$ (103,965)	\$ 20,278,108

**4. Derivative Instruments**

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

During 2007, the Branch issued to its customers two additional Structured Certificates of Deposit. The first issued during June 2007, is a twenty-three month 100% Principal Guaranteed major Equity Indices Basket Non-negotiable Certificate of Deposit in an amount of \$26,000,000. These certificates pay principal and interest at maturity and payment of interest is calculated based on 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. 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 and the Swiss Market Index. At the same time, the Branch entered into an option contract with Bear, Stearns & Co. Inc. with a notional amount equal to the amount of structured deposits issued to the customers that entitled the Branch to receive payments based on identical terms and conditions included in the structured deposits.

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The second Structured Certificate of Deposit, issued by the Branch to its customers in September 2007, is 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 Nifty 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 eighth (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 eighth (1/8th) times the performance of each Index determined at the exercise date.

In April 2008, the branch issued to its customers a twelve month 100% Principal Guaranteed Index Linked Non-Negotiable Certificate of Deposit in an amount of \$10,878,000. These certificates pay principal and interest at maturity and payment of interest is calculated based the Return Percentage of the Standard and Poor 500 Composite Return Price Index assuming the Index never closes at or below eighty-two percent (82%) (the "Lower Barrier") of its value on the Issue Date or one hundred eighteen percent (118%) (the "Upper Barrier") of its value on the Issue Date. The Return Percentage will be the percentage difference between the value of the Index on the Issue Date and the value of the Index on the Maturity Date regardless of whether such percentage difference is positive or negative. At the same time, the Branch entered into an option contract with ING Capital Markets, LLC. with a notional amount equal to the amount of structured deposits issued to the customers that entitled the Branch to receive payments based on identical terms and conditions included in the structured deposits.

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.

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

Contract Number	Maturity	Notional	Pay Fixed Rate	Receive Floating Rate	Estimated Fair Value
1	July-14	\$ 12,000,000	4.965%	180-day Libor	\$ 10,880,140
2	December-13	5,357,143	5.210%	30-day Libor	4,884,198
3	March-14	5,625,000	5.210%	30-day Libor	5,109,268
	Sub-total	<u>\$ 22,982,143</u>			<u>\$ 20,873,606</u>

Contract Number	Maturity	Notional	Receive Fixed Rate	Pay Floating Rate	Estimated Fair Value
4	July-14	\$ 12,000,000	5.050%	180-day Libor	\$ 13,152,460
5	December-13	5,357,143	5.210%	30-day Libor	5,830,087
6	March-14	5,625,000	5.210%	30-day Libor	6,140,732
	Total	<u>\$ 22,982,143</u>			<u>\$ 25,123,279</u>

Interest rate swaps outstanding during the year had the effect of decreasing net interest income by approximately \$18,000 and \$37,000 for the years ended December 31, 2008 and 2007 respectively.

**5. Investment Securities**

The amortized cost and estimated fair value of investment securities classified as available for sale at December 31, 2008 and 2007 are summarized as follows:

Available for Sale

	Amortized Cost	Gross Unrealized		Carrying Value
		Gains	Losses	
<b>December 31, 2008</b>				
U.S. Government agency debt securities	\$ 23,390,056	\$ 484,800	\$ (3,450)	\$ 23,871,406
Student loan asset backed securities	9,057,817	-	(849,795)	8,208,022
	<u>\$ 32,447,872</u>	<u>\$ 484,800</u>	<u>\$ (853,245)</u>	<u>\$ 32,079,427</u>
<b>December 31, 2007</b>				
U.S. Government agency debt securities	\$ 30,334,957	\$ 109,288	\$ -	\$ 30,444,245
Student loan asset backed securities	20,060,532	-	-	20,060,532
	<u>\$ 50,395,489</u>	<u>\$ 109,288</u>	<u>\$ -</u>	<u>\$ 50,504,777</u>

At December 31, 2008 and 2007, investment securities totaling \$5,182,000 and \$9,180,000 are pledged as collateral for securities sold under agreements to repurchase.

**6. Other Assets**

As of December 31, 2008 other assets include mainly prepaid expenses of approximately \$2,500,000 (\$4,500,000 in 2007).

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**7. Allowance for Loan Losses**

At December 31, 2008 and 2007, the Branch held provisions for doubtful assets amounting to \$3,828,000 and \$1,929,000, respectively, corresponding to the minimum requirements of the Banking Superintendency for covering potential losses. Changes in these provisions during 2008 and 2007 were as follows:

	Allowance for		
	Loans	Other Assets	Total
Balance, January 1, 2007	\$ 1,899,000	\$ -	\$ 1,899,000
Provision charged to operations	36,082	-	36,082
Loan charge offs	(6,082)	-	(6,082)
Balance, December 31, 2007	1,929,000	-	1,929,000
Provision charged to operations	1,899,000	-	1,899,000
Loan charge offs	-	-	-
Balance, December 31, 2008	\$ 3,828,000	\$ -	\$ 3,828,000

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

**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, 2008, the Branch had federal tax loss carryforwards available to reduce future taxable income of approximately \$11,163,000.

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
	<u>\$ 11,163,488</u>

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 \$11,163,000.

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**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 borrow \$190,000,000. The facility matures on November 4, 2010 and bears an interest rate equal to six-month LIBOR plus 25 basis points. This rate at December 31, 2008 equals 2.64%.

**10. Maturities of Assets and Liabilities**

**Maturities of Loans and Investments**

The following is a summary of loans and investments at December 31, 2008 classified by the remaining term to maturity. The amounts include accrued interest to the year-end.

	Up to one year	1-3 years	3-6 years	Over 6 years	Total
<b>Loans</b>					
Commercial and industrial	\$ 131,123,123	\$ 116,881,565	\$ 119,495,369	\$ -	\$ 367,500,057
Trade related	37,739,871	-	-	-	37,739,871
Consumer	1,515,654	8,978	-	-	1,524,632
Contingencies	31,483,444	11,527,046	-	-	43,010,490
Other debtors	17,458	-	-	-	17,458
<b>Investments</b>					
Available for sale securities	-	-	23,871,406	8,208,021	32,079,427
	<u>\$ 201,879,550</u>	<u>\$ 128,417,589</u>	<u>\$ 143,366,775</u>	<u>\$ 8,208,021</u>	<u>\$ 481,871,935</u>

At December 31, 2008, loans of approximately \$199,000,000 are floating instruments, which bear interest at rates that are adjusted primarily on a quarterly basis based on LIBOR.

The above schedule includes assets with maturities falling within the periods indicated and consequently does not include cash, contingent assets and other assets.

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**Maturities of Deposits and Other Obligations**

The following is a summary of deposits and other obligations at December 31, 2008, classified by the remaining term to maturity. The amounts include accrued interest to the year-end.

	Up to one year	1-3 years	3-6 years	Over 6 years	Total
<b>Deposits and Other Obligations</b>					
Time deposits	\$ 358,882,674	\$ 26,937,039	\$ 2,747,414	\$ -	\$ 388,567,127
Obligations under repurchase agreements	5,852,000	-	-	-	5,852,000
Other term obligations	90,570	-	-	-	90,570
Borrowings from financial institutions	125,176,852	190,724,533	-	-	315,901,385
	<u>\$ 490,002,096</u>	<u>\$ 217,661,572</u>	<u>\$ 2,747,414</u>	<u>\$ -</u>	<u>\$ 710,411,082</u>

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

**11. Foreign Currency Balances**

Balances denominated in foreign exchange currencies translated into US dollars using exchange rates at December 31, 2008 are as follows:

	U.S. \$	Equivalent in Chilean Pesos
<b>Assets</b>		
Cash and due from banks	\$ 1,925,852	\$ 12,356,000
Loans:		
Trade related	209,294	1,342,801
Investments:		
Time deposits due from banks	18,618,072	119,450,975
Total assets	<u>\$ 20,753,218</u>	<u>\$ 133,149,777</u>
<b>Liabilities and Head Office Equity</b>		
Deposits and other commitments:		
Demand deposits	\$ 1,798,760	\$ 11,540,595
Time deposits	4,122,946	26,452,251
Borrowings from financial institution	14,648,416	93,982,211
Total liabilities and commitments	<u>20,570,122</u>	<u>131,975,058</u>
Net asset position	<u>\$ 183,096</u>	<u>\$ 1,174,719</u>

**Banco de Credito e Inversiones, S.A., Miami Branch**  
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**(Expressed in U.S. Dollars)**  
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**12. 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, 2008 and 2007 are as follows:

	Entity	2008	2007
<b>Assets:</b>			
Loans	Head Office	\$ 2,303,021	\$ 11,128,362
	Bci Factoring, S.A.	-	21,746
Other assets	Head Office	268,767,447	438,833,899
	Bci Corredora de Bolsa, S.A.	55,249	197,652
<b>Total related party assets</b>		<b>271,125,717</b>	<b>450,181,658</b>
<b>Liabilities and Head Office Equity:</b>			
Demand deposits	Head Office	12,437,598	8,835,915
	Bci Administradora de Fondos Mutuos, S.A.	-	7,846
	Bci Corredora de Bolsa, S.A.	616	16,520
	Bci Factoring, S.A.	46,415	-
Time deposits	Bci Corredora de Bolsa, S.A.	346,250	110,000
Other unfunded commitments	Head Office	2,254,948	11,126,813
Other payable	Bci Factoring, S.A.	3,050	6,825
Other liabilities	Head Office	255,981	263,015
Other borrowings		80,000,000	-
<b>Total related party liabilities</b>		<b>95,344,858</b>	<b>20,366,934</b>
Head Office equity	Head Office	25,813,879	21,067,267
<b>Total liabilities and Head Office equity</b>		<b>121,158,737</b>	<b>41,434,201</b>
<b>Net related party asset position</b>		<b>\$ 149,966,980</b>	<b>\$ 408,747,457</b>
Interest income		\$ 15,850,100	\$ 23,147,656
Interest expense		\$ 1,193,807	\$ 761,492
Non-interest income		\$ 36,621	\$ 13,260
Non-interest expense		\$ 142,403	\$ 146,392

In prior years, the Branch entered into a repurchase agreement with Head Office and one of its subsidiaries, which states that certain loans amounting to \$0 and \$451,000 at December 31, 2008 and 2007, respectively, would be sold to Head Office if they became uncollectible.

The Branch has entered into a series of interest rate swaps with Head Office. The Branch uses these derivative financial instruments to manage its exposure to adverse fluctuations in interest rates. Under the terms of these interest rate swaps, the Branch agrees to exchange, at specified intervals, the difference between the fixed-rate of the hedged financial instrument and floating-rate interest amounts calculated by reference to an agreed notional amount. The terms of the interest rate swaps provide for the Branch to receive a floating rate of interest based on the London Interbank Offered Rate ("LIBOR") and to pay a fixed interest rate.

**Banco de Credito e Inversiones, S.A., Miami Branch**  
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Time deposits due from Head Office amounted to approximately \$268,000,000 as of December 31, 2008. These time deposits are short term and earn interest at the weighted average of 3.97% for the year ended December 31, 2008.

As of December 31, 2008, the branch had borrowings in the amount of \$80,000,000 from its Head Office classified as borrowings from financial institutions. These borrowings are done on an overnight basis and bear interest of 0.25%.

The Branch is exposed to credit loss if: (i) the counterparty to the interest rate swaps does not performed or (ii) the floating interest rate received by the Branch is less than the fixed interest rate paid by it.

**13. Memorandum Accounts**

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

	2008	2007
Securities in custody	\$ 8,647,292	\$ 11,004,565
Unconfirmed letters of credit	\$ 973,196	\$ 2,553,231
Interest rate swaps (notional value)	\$ 45,964,286	\$ 34,242,534
Options (notional value)	\$ 68,377,024	\$ 53,748,024

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

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

<u>Years ending December 31,</u>	<u>Minimum Rental Payments</u>
2009	\$ 294,563
2010	290,589
2011	299,316
2012	308,322
2013 and thereafter	<u>105,838</u>
	<u>\$ 1,298,628</u>

Rent expense was approximately \$272,000 for the year ended December 31, 2008 and \$272,000 for the year ended December 31, 2007.

**Banco de Credito e Inversiones, S.A., Miami Branch**  
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**14. Commissions**

The amounts of commission as shown in the Statement of Operations, relate to the following:

	2008		2007	
	Income	Expense	Income	Expense
Loan fees and commissions	\$ 1,087,585		\$ 354,995	
Letters of credit, guarantees granted fees	769,820		449,201	
Deposits fees on services	321,104		301,598	
Funds transfers fees	199,255		142,493	
Other	125,255	\$ 44,078	87,349	\$ 27,202
Total	\$ 2,482,999	\$ 44,078	\$ 1,335,636	\$ 27,202

**15. Regulatory Matters**

The State of Florida's Department of Banking and Finance requires international banking branches to maintain assets, excluding accrued income and amounts due from affiliates, equal to 107% of liabilities, as defined by the Department ("Asset Maintenance Requirements"). As an alternative, the Department may, by rule, permit an international banking Branch to maintain dollar deposits or investment securities ("Capital Equivalency"), in an amount specified by the Department, in a state bank. The amount of such dollar deposits or investment securities shall equal, at a minimum, the greater of \$4,000,000 or 7% of the international banking Branch's total liabilities, as defined by the Department. At December 31, 2008 and 2007, the Branch was in compliance with the Asset Maintenance Requirements.

**16. Employee Benefit Plan**

The Branch has implemented a 401(k) profit sharing and retirement plan. Employees who are 21 years of age and who have completed three months of service are eligible to participate as of the entry date (January 1 and July 1 of each calendar year). The Branch made total contributions of approximately \$47,000 and \$32,000 during 2008 and 2007, respectively.

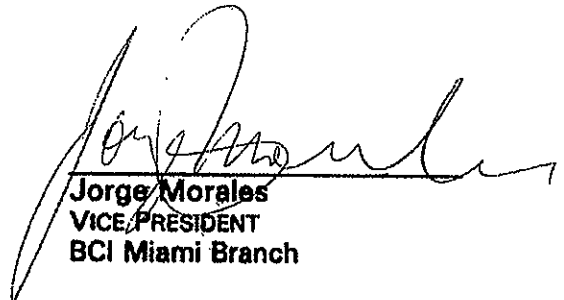
**17. Loss from Financial Activities, Net**

Net loss from financial activities comprises the following:

	Years Ended December 31,	
	2008	2007
Net (loss) gain on trading investment securities	\$ (31,841)	\$ 45,338
Net loss on derivative instruments	(208,080)	(247,635)
Total net loss from financial activities	\$ (239,921)	\$ (202,297)

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**M. GRISEL VEGA**  
**GENERAL MANAGER**  
  
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**Jorge Morales**  
**VICE PRESIDENT**  
**BCI Miami Branch**