

Financial Statements

Report

Atlantic Security Bank

*Year ended December 31, 2008
with Independent Auditors' Report*

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GENERAL INFORMATION

Shareholder

Atlantic Security Holding Corporation

Registered Office

Cayman National Building
Elgin Avenue P.O. Box 10340 APO
Grand Cayman
Cayman Islands, British West Indies

Lawyers

Maples and Calder, Cayman Islands
Ávila , Rodriguez , Hernandez,
Mena & Ferri, LLP ,United States of America
Galindo, Arias & Lopez, Panama
Aleman, Arias & Mora, Panama

Banks

Standard Chartered Bank
Banco de Credito – Miami Agency
Banco de Credito – Panama Branch
Banco de Credito – Lima
HSBC Bank USA
Bank of America, N.A.
Barclays Bank
Wachovia Bank
Pershing, LLC
CIBC Oppenheimer
Banco de Credito e Inversiones
JP Morgan Chase

Auditor

Ernst & Young, Cayman Islands

Independent Auditors' Report

The Board of Directors
Atlantic Security Bank

We have audited the accompanying financial statements of Atlantic Security Bank (the "Bank") which comprise the balance sheet as at December 31, 2008, and the statement of income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

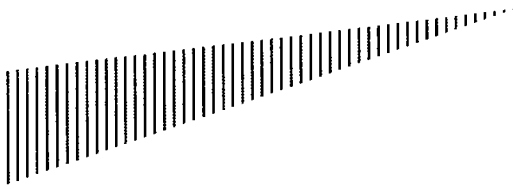
Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditors' 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



Independent Auditors' Report (continued)

Auditors' Responsibility (continued)

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 give a true and fair view of the financial position of Atlantic Security Bank as of December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

April 8, 2009

Atlantic Security Bank
Balance Sheet
At December 31, 2008

(Amounts expressed in US\$ dollars)

<i>Notes</i>	2008	2007
	US\$ 000	US\$ 000
ASSETS		
Cash and cash equivalents		
	26	65
9	81,904	218,167
	<u>146,000</u>	<u>17,450</u>
	Total cash and cash equivalents	235,682
5, 9	356,481	312,424
6, 9	789,479	983,834
16	663	383
	-	79
	263	188
7	158	491
9	15,314	15,997
9	<u>2,083</u>	<u>4,773</u>
	TOTAL ASSETS	1,553,851
	<u>1,392,371</u>	<u>1,553,851</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Deposits		
9	113,192	52,281
	-	-
9	54,172	49,358
	1,107,351	1,286,257
8, 9	15,000	-
9, 16	-	499
	-	79
9	13,365	13,525
9	<u>3,349</u>	<u>4,587</u>
	Total liabilities	1,406,586
	<u>1,306,429</u>	<u>1,406,586</u>
13, 14, 16	Commitments and contingencies	
Shareholder's Equity		
12	70,000	50,000
6	-	-
.	(47,334)	17,471
16	662	(116)
	62,614	79,910
	<u>85,942</u>	<u>147,265</u>
	Total Shareholder's Equity	147,265
	<u>85,942</u>	<u>147,265</u>
	TOTAL LIABILITIES AND SHAREHOLDER'S	1,553,851
	EQUITY	1,553,851
	<u>1,392,371</u>	<u>1,553,851</u>

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

Atlantic Security Bank
Statement of Income
For the year ended
December 31, 2008

(Amounts expressed in US\$ dollars)

<i>Notes</i>	2008	2007
	US\$ 000	US\$ 000
Interest and dividend income		
Interest on deposits with banks and overnight placements	31,682	33,695
Interest and dividends on risk portfolio	39,283	45,589
Interest on loans	9,312	9,199
9 Total interest and dividend income	<u>80,277</u>	<u>88,483</u>
Interest expense		
Interest on deposits	55,409	68,778
Interest on borrowed funds	299	245
Interest on purchased funds	91	244
9 Total interest expense	<u>55,799</u>	<u>69,267</u>
Net interest nad dividend income	24,478	19,216
6 Provision for possible loan losses	<u>(1,000)</u>	<u>(292)</u>
Net interest income after provision for possible loan losses	<u>23,478</u>	<u>18,924</u>
Non-interest income (expense)		
9 Fees and commission income	10,458	11,091
9 Fees and commission expense	(1,998)	(1,922)
6 Net realized gains on sales of financial assets	8,229	4,578
6 Provision for impairment of financial assets	(44,130)	(5,017)
Net expense on derivatives financial instruments	(7)	(1,998)
9 Foreign exchange (loss) gain, net	(322)	2,039
6 Provision for impairment of financial assets reversals	1,981	1,542
Other	2,669	105
Total non-interest income (expense), net	<u>(23,120)</u>	<u>10,418</u>
Operating expenses		
Salaries and employee benefits	4,418	4,167
9 General and administrative expenses	2,775	3,312
7 Intangible amortization	333	334
Depreciation and amortization	128	120
Total operating expenses	<u>7,654</u>	<u>7,933</u>
Net (Loss) income	<u>(7,296)</u>	<u>21,409</u>

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

Atlantic Security Bank
Statement of Changes in Shareholder's Equity
For the year ended
December 31, 2008

(Amounts expressed in US\$ dollars)

<i>Notes</i>	<i>Share Capital US\$ 000</i>	<i>Change Net in Valuation of Available for Sale Financial Assets US\$ 000</i>	<i>(Loss) Gain in Translation of Derivative Financial Instruments US\$ 000</i>	<i>Retained Earnings US\$ 000</i>	<i>Total Shareholder's Equity US\$ 000</i>
At January 1, 2007	40,000	12,689	-	58,501	111,190
12 Issuance of share capital	10,000				10,000
Net change in fair value of available for sale financial 6, 16 assets	-	4,782	-	-	4,782
9, 16 Loss in translation of forward currency contracts	-	-	(116)	-	(116)
Net income	-	-	-	21,409	21,409
At December 31, 2007	50,000	17,471	(116)	79,910	147,265
12 Issuance of share capital	20,000	-	-	-	20,000
Net change in fair value of available for sale financial 6, 16 assets	-	(64,805)	-	-	(64,805)
9, 16 Gain in translation of forward currency contracts, net	-	-	778	-	778
Net loss	-	-	-	(7,296)	(7,296)
Dividends paid	-	-	-	(10,000)	(10,000)
At December 31, 2008	70,000	(47,334)	662	62,614	85,942

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

Atlantic Security Bank
Statement of Cash Flows
For the year ended
December 31, 2008

(Amounts expressed in US\$ dollars)

	2008 US\$ 000	2007 US\$ 000
Cash flows from operating activities		
Net (Loss) income	(7,296)	21,409
Adjustments:		
Interest expense	55,799	69,267
Interest and dividend income	(80,277)	(88,483)
Provision relating to risk portfolio	42,005	3,767
Gain on sale of financial assets	(8,229)	(4,578)
Net expense on derivatives financial assets	7	1,998
Depreciation and amortization	128	120
Intangible amortization	333	334
Operating results before working capital changes	2,470	3,834
Loans	(71,165)	774
Other interest-bearing deposits with banks	(44,057)	(63,905)
Deposits	(113,182)	215,595
Net cash flows generated from operations	(225,934)	156,298
Interest paid	(55,959)	(68,099)
Interest and dividends received	80,959	86,783
Net changes in other assets and other liabilities	1,452	(427)
Net cash flows (used in) operating activities	(199,482)	174,555
Cash flows from investing activities		
Purchases of financial assets	(210,679)	(446,740)
Disposal of financial assets	377,612	334,717
Acquisition of premises and equipment	(203)	(101)
Net cash flows (used in) investing activities	166,730	(112,124)
Cash flows from financing activities		
Purchased funds	-	(3,059)
Borrowed funds	15,000	(15,004)
Additional paid in capital	20,000	10,000
Dividends paid	(10,000)	-
Net cash flows from (used in) financing activities	25,000	(8,063)
Net (decrease) increase in cash and cash equivalents	(7,752)	54,368
Cash and cash equivalents at January 1	235,682	181,314
Cash and cash equivalents at December 31	227,930	235,682

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

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

1. Corporate Information

Atlantic Security Bank (the Bank) is a wholly-owned subsidiary of Atlantic Security Holding Corporation (ASHC), incorporated under the laws of the Cayman Islands and operates under a Category “B” Banking and Trust license from the Government of the Cayman Islands. The Bank has also been granted a Mutual Fund Administrators license under the Mutual Funds Law of the Cayman Islands. The Bank is incorporated and domiciled in the Cayman Islands.

The ultimate parent company of ASHC is Credicorp Ltd., which is a limited liability company and is incorporated and domiciled in Bermuda. Credicorp Ltd. has a primary listing on the New York Stock Exchange under quote symbol “BAP” with further listing in the Peruvian Stock Exchange.

The Bank provides investment banking, financial advisory, trading and investment services to Latin American customers. The Bank has a Branch in the Republic of Panama (“Panama Branch”), operating under an international license granted by the Banking Superintendency of Panama, allowing banks to conduct, exclusively from an office in Panama, transactions which are intended to take effect outside the country.

The financial statements were approved for issuance by President Walter Bayly on behalf of the Board of Directors of Atlantic Security Bank on February 27, 2009.

2. Statement of Compliance

The financial statements of Atlantic Security Bank have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (“IASB”).

3. Basis of Preparation of Financial Statements

3.1 Valuation basis

The financial statements have been prepared on an historical cost basis, except for the measurement at fair value of investments, derivative financial instruments and available-for-sale financial assets. The carrying values of such recognised assets and liabilities that are hedged items are adjusted to record variations in the fair values attributable to the risks that are being hedged. The financial statements are prepared in dollar of the United States of America (US\$) and all values are rounded to the nearest thousand (US\$000) except when otherwise indicated.

Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

3. Basis of Preparation of Financial Statements (continued)

3.2 Standards issued but not yet effective

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: beginning on or after January 1st, 2009.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements: beginning on or after July 1st, 2009.

IAS 1 Revised Presentation of Financial Statements: beginning on or after January 2009.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements- Puttable Financial Instruments and Obligations Arising on Liquidation: beginning on or after January 1st, 2009.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items: beginning on or after July 1st, 2009.

IFRIC 15 Agreement for the Construction of Real Estate: beginning on or after January 1st, 2009.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation: beginning on or after October 1st, 2008.

The Bank is evaluating the impact of these standards and interpretations in the financial statements.

3.3 Significant Accounting Judgments and Estimates

The preparation of the financial statements in conformity with International Financial Reporting Standards requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Impairment of financial assets

The Bank periodically reviews its problem loans and investments, in order to assess whether an allowance for impairment should be recorded in the statement of income. In particular, judgment by Management is required in the estimation of the amount and timing of future cash flow when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Bank also makes a collective impairment allowance which, although not identified as requiring a specific allowance, do have a risk exposure of default when originally granted. This takes into consideration factors such as any deterioration in country risk, industry and clearly identified structural weaknesses or deterioration in cash flows.

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

4. Summary of Significant Accounting Policies

Cash and cash equivalents

For presentation purposes, in its statements of cash flows the Bank considers as cash and cash equivalents all highly liquid instruments with original maturities of three months or less. As of December 31, 2008, cash and cash equivalents are represented by deposits with banks and overnight placements.

Fair value of financial instruments

Financial instruments are used by the Bank to manage market risk, facilitate customer transactions, hold proprietary positions and meet financing objectives. Fair value is determined by the Bank based on available listed market prices or broker price quotations. Assumptions regarding the fair value of each class of financial assets and liabilities are fully described in Note 11 to the financial statements.

Financial assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, available for sale and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Those categories are used to determine how a particular financial asset is recognised and measured in the financial statements.

Financial assets at fair value through profit or loss. This category has two subcategories:

- Designated. The first includes any financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss.
- Held for trading. The second category includes financial assets that are held for trading. All derivatives (except those designated hedging instruments) and financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking are held for trading.

Available-for-sale financial assets (AFS) are any non-derivative financial assets designated on initial recognition as available for sale. AFS assets are measured at fair value in the balance sheet. Fair value changes on AFS assets are recognised directly in equity, through the statement of changes in equity, except for interest on AFS assets (which is recognised in income on an effective yield basis), impairment losses, and (for interest-bearing AFS debt instruments) foreign exchange gains or losses. The cumulative gain or loss that was recognised in equity is recognised in profit or loss when an available-for-sale financial asset is derecognised.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, originated or acquired, that are not quoted in an active market, not held for trading, and not designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Loans and receivables are measured at amortised cost.

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

4. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held-to-maturity investments are measured at amortised cost. If an entity sells a held-to-maturity investment other than in insignificant amounts or as a consequence of a non-recurring, isolated event beyond its control that could not be reasonably anticipated, all of its other held-to-maturity investments must be reclassified as available-for-sale for the current and next two financial reporting years.

Financial Liabilities

The Bank recognises, in compliance to IAS 39, two classes of financial liabilities:

- Financial liabilities at fair value through profit or loss.
- Other financial liabilities measured at amortised cost using the effective interest method.

Initial recognition and measurement

The Bank uses a classification of financial asset or a financial liability depending on the purposes for which they were acquired and their characteristics. All financial assets or liabilities are recorded at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit and loss, any directly attributable incremental costs of acquisition or issue. Financial assets and liabilities carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of income. A regular way purchase or sale of financial assets and liabilities is recognised and derecognised using either trade date or settlement date accounting. The Bank has adopted the method of trade accounting to recognize its financial assets and liabilities; this method has been applied consistently for all purchases and sales of financial assets and liabilities that belong to the same category of financial asset and liabilities.

Financial assets and all financial liabilities have been recognised on the balance sheet, including all derivatives as described in 'Derivative financial instruments' section.

Measurement subsequent to initial recognition

Subsequently, the Bank measure their financial assets and liabilities (including derivatives) at fair value, with the following exceptions:

Loans and receivables, held-to-maturity investments, and non-derivative financial liabilities, which has been measured at amortised cost using the effective interest method.

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

4. Summary of Significant Accounting Policies (continued)

Measurement subsequent to initial recognition (continued)

Financial assets and liabilities that are designated as a hedged item or hedging instrument are subject to measurement under the hedge accounting requirements.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For its entire portfolio the Bank uses quoted market prices in an active market or dealer price, which are the best evidence of fair value, where they exist, to measure the financial instrument. The fair value of investment funds are determined by reference to the net asset values of the funds as provided by respective administrators of such funds.

Amortized cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Interest income and expense

Interest income and expense is recognised in the statements of income for all interest-bearing instruments on an accrual basis applying the effective yield method to the actual purchase price. Interest income includes coupons earned on fixed income investment and accreted discount on debt instruments. When a loan becomes of doubtful collection, it is written down to recoverable amount and interest income is thereafter recognised at the rate of interest which had been used to discount the future cash flows for the purpose of determining the recoverable amount.

Fees and commissions income

Fees and commissions are generally recognised on an accrual basis once service has been rendered. Loan origination fees are deferred and recognised over the life of the loan.

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

4. Summary of Significant Accounting Policies (continued)

Foreign currency operations (continued)

Substantially all of the Bank's transactions are performed in U.S. Dollars. Foreign currency transactions are translated into U.S. Dollars at the prevailing exchange rates on the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Translation differences on debt securities and other financial assets measured at fair value are included as foreign exchange income in the statement of income with the exception of difference on foreign borrowing that provide an effective hedge against a net investment in a foreign security which are taken directly to equity until the disposal of net investment, at which time they are recognised in the statement of income.

Derivative financial instruments

The Bank makes use of derivative financial instruments, such as options and forward foreign currency contracts, to manage exposure to interest rate, foreign currency and credit risk, including those arising from forecast transactions. In order to manage particular risks, the Bank applies a different accounting basis taking into account the use of derivative financial instruments, trading purposes or hedge accounting for transactions which meet the specified criteria.

Derivative financial instrument operations are recognised initially at fair value. The fair value of derivative financial instruments is calculated by reference to current interest and exchange rates. The changes in fair value are recorded as assets when the fair value is positive and as liabilities when it is negative. The gain or loss related to changes in fair value is recorded in the statement of income.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In connection with cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in net profit or loss. When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the statement of income in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

4. Summary of Significant Accounting Policies (continued)

Derivative financial instruments (continued)

For derivatives that do not qualify for hedge accounting, as classified as trading derivative instrument and any gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Premises and equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the useful life of the assets as follows:

Furnitures and office equipments	2 to 3 years
Vehicles	5 years
Leasehold improvement	5 years

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible asset

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Bank and will generate economic benefits exceeding costs beyond one year, are recognised as intangible asset.

Expenditures which enhance or extend the performance of computer software programmes beyond their original specifications are recognised as a capital improvement and therefore added to the original cost of the software. Computer software costs recognised as assets are amortized using the straight-line method over their useful lives, not exceeding 5 years.

Fiduciary activities

Assets and income arising from fiduciary activities, together with related undertakings to deliver such assets to customers, are excluded from these financial statements if the Bank acts in a fiduciary capacity such as a nominee, trustee or agent.

Income taxes

The Bank operations are tax exempted in both the Cayman Islands and in the Republic of Panama.

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

5. Other Interest – Bearing Deposits with Banks

	<u>December 31,</u>	
	2008 US\$ 000	2007 US\$ 000
Banco de Credito and subsidiaries (a subsidiary of Credicorp Ltd.)	338,208	283,957
Other financial institutions	<u>18,273</u>	<u>28,467</u>
	<u><u>356,481</u></u>	<u><u>312,424</u></u>

6. Risk Portfolio, Net

	2008 US\$ 000	2007 US\$ 000
Available-for-sale financial assets, net	575,600	853,738
Held to Maturity financial assets, net	12,474	-
Loan portfolio, net	<u>201,405</u>	<u>130,096</u>
	<u><u>789,479</u></u>	<u><u>983,834</u></u>

Financial Assets

	2008			Fair value US\$000
	Cost US\$000	Gross unrealized gain US\$000	Gross unrealized loss US\$000	
Available for sale				
Federal Agencies notes - U.S.	28,688	222	(67)	28,843
U.S. Corporate bonds	435,065	1,489	(71,689)	364,865
Non - U.S. Corporate bonds	102,185	332	(7,767)	94,750
Equity securities (including mutual funds)	46,886	2,943	(11,805)	38,024
Sovereign debt	<u>51,646</u>	<u>251</u>	<u>(2,779)</u>	<u>49,118</u>
Subtotal	664,470	5,237	(94,107)	575,600
Held to maturity				
U.S. Corporate bonds	<u>12,474</u>	<u>-</u>	<u>-</u>	<u>12,474</u>
Less:				
Provision for impairment of financial assets	<u>(41,536)</u>	<u>-</u>	<u>41,536</u>	<u>-</u>
	<u><u>635,408</u></u>	<u><u>5,237</u></u>	<u><u>(52,571)</u></u>	<u><u>588,074</u></u>

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

6. Risk Portfolio, Net (continued)

Financial Assets (continued)

	2007			
	Cost US\$000	Gross unrealized gain US\$000	Gross unrealized loss US\$000	Fair value US\$000
Federal Agencies notes - U.S.	65,964	216	(280)	65,900
U.S. Corporate bonds	554,953	3,449	(8,326)	550,076
Non - U.S. Corporate bonds	112,935	422	(777)	112,580
Equity securities (including mutual funds)	59,563	17,651	(242)	76,972
Sovereign debt	48,108	184	(82)	48,210
	<u>841,523</u>	<u>21,922</u>	<u>(9,707)</u>	<u>853,738</u>
Less:				
Provision for impairment of financial assets	(5,256)	-	5,256	-
	<u>836,267</u>	<u>21,922</u>	<u>(4,451)</u>	<u>853,738</u>

Fair value for available-for-sale assets portfolio is represented by quoted market prices in an active market or dealer price where investments are not actively traded, which are the best evidence of fair value, where they exist, to measure the financial assets. The fair value of investment funds are determined by reference to the net asset values of the funds as provided by respective administrators of such funds. The detail below shows by type of AFS investments, its source of valuation as of December 31, 2008:

	Valuation Techniques - Market		
	Quoted Market Price US\$000	Observable Inputs US\$000	Total US\$000
Available for sale			
Federal Agencies notes - U.S.	4,528	24,315	28,843
U.S. Corporate bonds	224,431	140,434	364,865
Non - U.S. Corporate bonds	89,152	5,598	94,750
Equity securities (including mutual funds)	8,958	29,066	38,024
Sovereign debt	49,118	-	49,118
Total	<u>376,187</u>	<u>199,413</u>	<u>575,600</u>
Held to maturity			
U.S. Corporate bonds	2,988	9,486	12,474
Total	<u>2,988</u>	<u>9,486</u>	<u>12,474</u>

Atlantic Security Bank
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6. Risk Portfolio, Net (continued)

Financial assets (continued)

Amounts reported in the statements of income relating to gains on available-for-sale financial assets are detailed as follows on December 31:

	<u>December 31,</u>	
	2008	2007
	US\$000	US\$000
Realized gains on sales of financial assets	<u>8,229</u>	<u>4,578</u>

At December 31, the financial assets, available-for-sale investment and held to maturity are summarized as follows:

	<u>December 31,</u>	
	2008	2007
	US\$000	US\$000
Balance on January 1st	853,738	737,828
Purchases	210,679	446,741
Disposals and written-off, net	(411,538)	(335,613)
Loss from changes in fair value	<u>(64,805)</u>	<u>4,782</u>
Balance on December 31	<u>588,074</u>	<u>853,738</u>

The table below presents an analysis of the available-for-sale investments and held to maturity investments by rating agency designation at December 31, based on Standard & Poor's rating or its equivalent:

	2008					
	Federal Agencies Notes-U.S.	US - Corporate Bonds	Non - US Corporate Bonds	Sovereign Debt	Equities Securities & Funds	Total
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Available for sale						
AAA	7,140	57,197	-	-	-	64,337
AA- to AA+	-	17,715	-	-	-	17,715
A- to A+	-	86,593	21,651	6,148	-	114,392
BBB- to BBB+	-	159,973	59,553	18,415	-	237,941
Lower than BBB-	-	40,315	7,935	9,206	-	57,456
Unrated	<u>21,703</u>	<u>3,755</u>	<u>13,469</u>	<u>12,561</u>	<u>32,271</u>	<u>83,759</u>
	<u>28,843</u>	<u>365,548</u>	<u>102,608</u>	<u>46,330</u>	<u>32,271</u>	<u>575,600</u>
Held to Maturity						
AAA	-	9,486	-	-	-	9,486
BBB- to BBB+	-	<u>2,988</u>	-	-	-	<u>2,988</u>
subtotal	-	<u>12,474</u>	-	-	-	<u>12,474</u>
Total	<u>28,843</u>	<u>378,022</u>	<u>102,608</u>	<u>46,330</u>	<u>32,271</u>	<u>588,074</u>

Atlantic Security Bank
Notes to the Financial Statements
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(Amount expressed in US\$ dollars)

6. Risk Portfolio, Net (continued)

Financial assets (continued)

	Federal Agencies Notes-U.S. US\$000	US - Corporate Bonds US\$000	2007 Non - US Corporate Bonds US\$000	Sovereign Debt US\$000	Equities & Funds US\$000	Total US\$000
AAA	33,043	151,151	388	-	-	184,582
AA- to AA+	-	18,309	3,330	-	-	21,639
A- to A+	-	76,034	22,968	4,997	-	103,999
BBB- to BBB+	-	222,313	52,981	19,408	-	294,702
Lower than BBB-	-	75,481	18,595	14,915	-	108,991
Unrated	32,857	6,788	14,318	8,890	76,972	139,825
Total	65,900	550,076	112,580	48,210	76,972	853,738

Loan portfolio, net

The loan portfolio by customers' activity at December 31 is detailed as follows:

	December 31,	
	2008 US\$ 000	2007 US\$ 000
Corporate:		
Manufacturing	39,905	37,565
Commercial	39,086	17,728
Financial services	71,616	18,907
Agriculture	20,890	12,171
Real estate and construction	8,240	10,576
Mining and other related activities	12,460	7,658
Transportation and communications	6,388	5,127
Public utilities	8	9
Education, health and other services	1,295	589
Fishing	2,693	4,465
	202,581	114,795
Others Activity	-	16,624
	202,581	131,419
Less: provision for loan losses	(1,176)	(1,323)
	201,405	130,096

Atlantic Security Bank
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(Amount expressed in US\$ dollars)

6. Risk Portfolio, Net (continued)

Loan portfolio, net (continued)

As of December 31, 2008 the loans guaranteed with cash amounted to US\$50,420,206 (2007 – US\$57,382,042). These loans were matched in amount and maturity.

The distribution for loan portfolio by type of interest rates is as follows:

	<u>December 31,</u>	
	2008	2007
	US\$000	US\$000
Fixed interest rates	147,842	94,060
Floating interest rates	<u>54,739</u>	<u>37,359</u>
	<u><u>202,581</u></u>	<u><u>131,419</u></u>

A summary of the loan portfolio by the geographic location of the borrowers and the respective collateral is as follows:

	2008				
	<u>Loan Collaterals</u>				
	Carrying	U.S. securities	U.S. dollar	Other	Unsecured
	value	and real	deposits	collateral	portion
	US\$000	estate	US\$000	US\$000	US\$000
	US\$000	US\$000	US\$000	US\$000	US\$000
Argentina	2,990	-	-	-	2,990
Bermuda	3,000	-	-	3,000	-
Bolivia	1,000	-	-	-	1,000
Chile	21,650	-	1,650	-	20,000
Colombia	34,496	-	1,505	-	32,991
El Salvador	850	-	-	-	850
United State of America	12,892	-	-	3,924	8,968
Guatemala	8,188	-	-	-	8,188
Cayman Islands	8,364	-	-	8,364	-
British Virgin Islands	20,140	-	60	20,080	-
Mexico	5,556	-	-	-	5,556
Panama	4,459	305	772	3,382	-
Peru	73,824	2,758	46,173	24,893	-
England	60	-	60	-	-
Canada	200	-	200	-	-
Europe Union	4,912	-	-	-	4,912
	<u>202,581</u>	<u>3,063</u>	<u>50,420</u>	<u>63,643</u>	<u>85,455</u>

Atlantic Security Bank
Notes to the Financial Statements
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(Amount expressed in US\$ dollars)

6. Risk Portfolio, Net (continued)

Loan portfolio, net (continued)

	2007				
	Carrying value US\$000	Loan Collaterals			
U.S. securities and real estate US\$000		U.S. dollar deposits US\$000	Other collateral US\$000		
Argentina	4,311	-	-	-	4,311
Bolivia	5,801	-	755	-	5,046
British Virgin Islands	18,518	45	3,525	14,617	331
Canada	300	100	200	-	-
Chile	1,650	-	1,650	-	-
Colombia	15,578	40	2,177	-	13,361
El Salvador	625	-	-	-	625
Guatemala	1,313	-	-	-	1,313
Mexico	12,515	-	-	-	12,515
Panama	4,874	1,665	2,939	265	5
Peru	61,274	4,983	46,136	10,125	30
United States of America	4,660	4,660	-	-	-
	<u>131,419</u>	<u>11,493</u>	<u>57,382</u>	<u>25,007</u>	<u>37,537</u>

Provision

Changes in the provision for impairment of financial assets and provision for loan losses are as follows:

	2008		
	<i>Provision for Impairment of Financial Assets</i> US\$000	<i>Provision for Loan Losses</i> US\$000	<i>Total</i> US\$000
Balance at January 1st	5,256	1,323	6,579
Increase	44,130	1,000	45,130
Reversion	(1,981)	(1,144)	(3,125)
Written-off	<u>(5,869)</u>	<u>(3)</u>	<u>(5,872)</u>
Balance at December 31	<u>41,536</u>	<u>1,176</u>	<u>42,712</u>

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

6. Risk Portfolio, Net (continued)

Provision (continued)

	2007		
	<i>Provision for Impairment of Financial Assets</i> US\$000	<i>Provision for Loan Losses</i> US\$000	<i>Total</i> US\$000
Balance at January 1st	3,705	2,589	6,294
Increase	5,017	292	5,309
Reversion	(1,542)	-	(1,542)
Written-off	(1,924)	(1,558)	(3,482)
Balance at December 31	<u>5,256</u>	<u>1,323</u>	<u>6,579</u>

7. Intangible Asset, Net

	December 31	
	2008 US\$000	2007 US\$000
Intangible	1,631	1,631
Less: accumulated amortization	<u>(1,473)</u>	<u>(1,140)</u>
	<u>158</u>	<u>491</u>

8. Other Borrowed Funds

As of December 31, 2008 the Bank maintained borrowed funds with affiliates related to Subordinated Debt for US\$15,000,000, this debt has been contracted with an original maturity of 7 years (December 2015) and paid interest based on Libor 3M+6.90%. (2007: the Bank does not maintain any balance in other borrowed funds).

The following table details other borrowed funds:

	December 31	
	2008 US\$000	2007 US\$000
Amount at the end of the year	15,000	-
Average during the year	15,000	5,228
Maximum at any month end	15,000	16,826

Atlantic Security Bank
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9. Balances and Transactions with Related Parties

The term “related parties” is defined by Management to encompass other affiliated parties over which control or significant influence exists through common ownership, management or directorships. In the ordinary course of its business the Bank has incurred transactions with related parties such as shareholders, non-consolidated companies, directors and key management personnel.

	December 31			
	2008			2007
	Directors, key management personnel and other related parties US\$000	Affiliates US\$000	Directors, key management personnel and other related parties US\$000	Affiliates US\$000
Balance Sheets				
Assets:				
Interest-bearing deposits with banks	-	10,935	-	17,588
Other interest-bearing deposits with banks	-	338,208	-	283,957
Overnight placements	-	-	-	300
Risk portfolio:				
Investments in financial instruments, mutual funds managed by the Bank and other related parties	333	414	5,539	9,671
Loans	31,118	-	21,242	-
Derivative financial instruments	-	663	-	383
Accumulated interest receivable	59	6,377	316	4,328
Other assets	68	108	63	98
Liabilities:				
Deposits (demand and time)	158,809	24,851	147,012	16,379
Other borrowed funds	-	15,000	-	-
Derivative financial instruments	-	-	-	499
Accumulated interest payable	3,871	7	2,237	-
Other liabilities	-	-	-	406

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

9. Balances and Transactions with Related Parties (continued)

For the years ended December 31, 2008 and 2007, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties. The loans that counted on tangible guarantees as financial goods and values ascended to US\$29,836,585 (2007: US\$15,911,110).

	December 31			
	2008		2007	
	Directors, key management personnel and other related parties US\$000	Affiliates US\$000	Directors, key management personnel and other related parties US\$000	Affiliates US\$000
Off-balance sheets:				
Forward currency contracts	-	-	-	22,604
Commitments for letter of credit	-	275	-	275
Investment on behalf of customers	442,401	-	650,022	-
Guarantees received	-	1,200	-	1,200
Guarantees granted	-	338,208	-	318,427
Statements of income and expenses:				
Interest and dividend income	668	28,324	730	24,804
Interest expense	5,746	267	5,996	556
Fee and commission income	4,575	146	8,388	125
Fee and commission expense	-	1,332	-	1,257
Net realized gain on foreign exchange	-	650	-	292
General and administrative expenses	-	177	-	151

As of December 31, 2008, loans receivable from related parties of US\$ 26,716,416 (2007: US\$14,902,050), are not included in the balance sheets due to the fact that full risk participations have been sold off to customers without recourse to the Bank.

As of December 31, 2008, the other interest-bearing deposits with banks include deposits with Banco de Credito and Subsidiaries for US\$338,207,959 (2007: US\$283,956,728), where full risk participation has been sold off to customers without recourse to the Bank and the full amount is guaranteed by deposits received from customers.

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(Amount expressed in US\$ dollars)

10. Risk Management

The Bank's operations are exposed to a wide variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Overall risk management programmes focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Bank's financial performance.

Market Risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flow of financial instruments, will fluctuate because of changes in market prices. Market risk arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credits spreads, foreign exchange rates and equity prices.

The Bank's Asset/liability Committee (ALCO) is responsible for managing and monitoring all of the Bank's risk exposures. Risk exposures are managed through control limits established for position size and overall risk exposure limits. In addition, the Bank maintains proper segregation of duties, with credit review and risk-monitoring functions performed by bodies that are independent from business producing units.

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

10. Risk Management (continued)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage these risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Credit risk

The Bank seeks to minimize and control its risk exposure by establishing a variety of separate but complementary financial, credit, operational and legal reporting schemes. The Bank's Executive Committee, duly authorized by the Board of Directors, determines the type of business in which the Bank engages and also approves guidelines for accepting customers, outlines the terms on which customer business is conducted and establishes the parameters for the risks that the Bank is willing to accept.

The Bank takes on exposure to credit risk, the risk that a counterparty will be unable to pay all amounts in full when due. The Bank structures the credit risk levels it accepts by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, or geographical segment. Such risks are monitored on a revolving basis and subject to periodic review. Limits on levels of credit by product and country are reviewed and approved quarterly by the Board of Directors.

Financial assets which potentially subject the Bank to concentrations of credit risk consist primarily of cash and cash equivalents, interest-bearing deposits with banks, certain available-for-sale securities, loans and other assets. Cash and cash equivalents and interest bearing deposits with banks are placed either with related parties or reputable financial institutions. An analysis of the Bank's available-for-sale securities and loans according to its credit risk rating is provided in Note 6.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations, and by adjusting lending limits as appropriate. Exposure to credit risk is also managed in part by obtaining collateral, corporate and personal guarantees.

Atlantic Security Bank
Notes to the Financial Statements
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(Amount expressed in US\$ dollars)

10. Risk Management (continued)

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and stand-by letters of credit, which represent irrevocable assurances that the Bank will execute payments in the event that a customer cannot meet its obligations to third parties, carry the same risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

The Bank's credit policies and procedures to approve credit commitments, guarantees and commitments to purchase and sell securities are the same as those applicable to extension of credits which are on balance sheet and take into account their collateral and other security, if any.

Interest rate risk

The Bank operations are exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from investments transactions, recognised as assets and/or liabilities. The Bank uses derivative financial instruments (forwards and options contracts) to hedge foreign exchange risk exposure arising from investment securities position in currencies other than US\$ dollars.

The Bank is exposed to cash flow and fair value interest rate risk in the course of major operations, to manage these exposures the Bank has established a variety of separate but complementary financial, investment, operational and credit reporting schemes to determine the current position on financial assets and liabilities and how its impacted for a change in the interest rate risk.

The price risk factor that mainly affects the value of the Bank investment portfolio is interest rates. Interest Rate Risk Management is an integral component of the Asset/Liability Management (ALM) methodology in use by the Bank, which models and measures the effect that interest rate risk has over the Bank's income in the short-term.

The Bank's investment portfolio is managed through a long term investment (buy and hold) strategy and not as of a proprietary trading book, hence, its exposure to market price risk in the short-term is not considered to be relevant.

The Bank takes on exposure to the effects of fluctuations at the prevailing level of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movement materializes.

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

10. Risk Management (continued)

Interest rate risk (continued)

The table below summarizes the Bank's exposures to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

<i>Assets</i>	Up to 1 month US\$000	1 to 3 months US\$000	3 to 12 months US\$000	2008		Non interest bearing US\$000	Total US\$000
				1 to 5 years US\$000	Over 5 years US\$000		
Cash and cash equivalents	220,906	6,807	99	92	-	26	227,930
Due from banks	71,162	59,827	222,330	1,939	1,223	-	356,481
Financial assets	67,164	93,036	71,957	217,865	105,781	32,271	588,074
Loans	42,839	41,526	39,216	51,538	26,286	-	201,405
Other assets	-	-	-	-	-	18,481	18,481
	<u>402,071</u>	<u>201,196</u>	<u>333,602</u>	<u>271,434</u>	<u>133,290</u>	<u>50,778</u>	<u>1,392,371</u>
<i>Liabilities</i>							
Deposits:							
Non-interest bearing	-	-	-	-	-	113,192	113,192
Interest bearing	398,552	270,857	156,995	333,896	1,223	-	1,161,523
Borrowed funds	-	-	-	-	15,000	-	15,000
Other liabilities	-	-	-	-	-	16,714	16,714
	<u>398,552</u>	<u>270,857</u>	<u>156,995</u>	<u>333,896</u>	<u>16,223</u>	<u>129,906</u>	<u>1,306,429</u>
Total interest sensitivity gap	<u>3,519</u>	<u>(69,661)</u>	<u>176,607</u>	<u>(62,462)</u>	<u>117,067</u>		

Atlantic Security Bank
Notes to the Financial Statements
December 31, 2008

(Amount expressed in US\$ dollars)

10. Risk Management (continued)

Interest rate risk (continued)

<i>Assets</i>	2007						Total US\$000
	Up to 1 month US\$000	1 to 3 months US\$000	3 to 12 months US\$000	1 to 5 years US\$000	Over 5 years US\$000	Non interest bearing US\$000	
Cash and cash equivalents	196,479	12,418	26,625	95	-	65	235,682
Due from banks	46,606	75,745	178,039	6,152	5,882	-	312,424
Financial assets	93,131	135,425	93,743	283,546	176,384	71,509	853,738
Loans	22,596	28,564	37,884	41,052	-	-	130,096
Other assets	-	-	-	-	-	21,911	21,911
	<u>358,812</u>	<u>252,152</u>	<u>336,291</u>	<u>330,845</u>	<u>182,266</u>	<u>93,485</u>	<u>1,553,851</u>
Liabilities							
Deposits:							
Non-interest bearing	-	-	-	-	-	52,281	52,281
Interest bearing	502,516	300,801	447,804	78,612	5,882	-	1,335,615
Other liabilities	-	-	-	-	-	18,690	18,690
	<u>502,516</u>	<u>300,801</u>	<u>447,804</u>	<u>78,612</u>	<u>5,882</u>	<u>70,971</u>	<u>1,406,586</u>
Total interest sensitivity gap	<u>(143,704)</u>	<u>(48,649)</u>	<u>(111,513)</u>	<u>252,233</u>	<u>176,384</u>		

The table below summarizes the weighted average interest rates for assets and liabilities as of December 31:

	2008		2007	
	<i>End of year</i>	<i>During the year</i>	<i>End of year</i>	<i>During the year</i>
Assets:				
Interest-bearing deposits with banks	5.48	6.97	6.94	7.20
Financial assets	4.78	5.25	5.87	5.50
Loans	5.62	6.06	6.80	7.38
Liabilities				
Deposits	4.78	4.81	5.55	5.88
Borrowed funds	8.34	8.34	-	5.96

Atlantic Security Bank
Notes to the Financial Statements
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(Amount expressed in US\$ dollars)

10. Risk Management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Bank treasury maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Bank's liquidity on the basis of expected cash flow.

The Bank is exposed to daily calls on available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs and guarantees. The Bank does not maintain cash resources to meet all of these needs, as experience with its specific customer base shows that a minimum level of reinvestment of maturing can be predicted with a high degree of certainty. As of December 31, 2008 and 2007, the Bank holds a substantial amount of investment grade securities which Management considers a secondary liquidity source.

The table below analyzes the Bank's assets and liabilities into relevant maturity groupings based on the time remaining from balance sheet date to the contractual maturity date.

<i>Assets</i>	2008					Total US\$000
	Up to 1 month US\$000	1 to 3 month US\$000	3 to 12 month US\$000	1 to 5 years US\$000	Over 5 years US\$000	
Cash and cash equivalents	220,906	6,807	128	63	26	227,930
Due from banks	71,162	59,827	222,330	1,939	1,223	356,481
Financial assets	37,081	50,432	114,383	250,457	135,721	588,074
Loans	38,476	37,461	75,033	50,435	-	201,405
Other assets	2,683	5,369	8,053	2,376	-	18,481
	<u>370,308</u>	<u>159,896</u>	<u>419,927</u>	<u>305,270</u>	<u>136,970</u>	<u>1,392,371</u>
<i>Liabilities</i>						
Deposits:						
Non-interest bearing	9,433	18,865	84,894	-	-	113,192
Interest bearing	348,895	279,885	474,295	57,225	1,223	1,161,523
Borrowed Funds	-	-	-	-	15,000	15,000
Other liabilities	2,786	5,571	8,357	-	-	16,714
	<u>361,114</u>	<u>304,321</u>	<u>567,546</u>	<u>57,225</u>	<u>16,223</u>	<u>1,306,429</u>
Net liquidity gap	<u>9,194</u>	<u>(144,425)</u>	<u>(147,619)</u>	<u>248,045</u>	<u>120,747</u>	<u>85,942</u>

Atlantic Security Bank
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(Amount expressed in US\$ dollars)

10. Risk Management (continued)

Liquidity risk (continued)

<i>Assets</i>	2007					Total US\$000
	Up to 1 month US\$000	1 to 3 month US\$000	3 to 12 month US\$000	1 to 5 years US\$000	Over 5 years US\$000	
Cash and cash equivalents	196,544	12,418	26,625	95	-	235,682
Due from banks	46,606	75,745	178,039	6,152	5,882	312,424
Financial assets	36,051	80,680	120,915	392,881	223,211	853,738
Loans	17,932	22,590	46,297	43,277	-	130,096
Other assets	3,099	6,043	10,043	2,726	-	21,911
	<u>300,232</u>	<u>197,476</u>	<u>381,919</u>	<u>445,131</u>	<u>229,093</u>	<u>1,553,851</u>
<i>Liabilities</i>						
Deposits:						
Non-interest bearing	4,357	8,714	39,210	-	-	52,281
Interest bearing	457,271	309,029	484,821	78,612	5,882	1,335,615
Other liabilities	3,244	6,332	9,114	-	-	18,690
	<u>464,872</u>	<u>324,075</u>	<u>533,145</u>	<u>78,612</u>	<u>5,882</u>	<u>1,406,586</u>
Net liquidity gap	<u>(164,640)</u>	<u>(126,599)</u>	<u>(151,226)</u>	<u>366,519</u>	<u>223,211</u>	<u>147,265</u>

The matching and controlled miss-matching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often for uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

Liquidity required to support calls under guarantees and stand-by letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash needs, since many of these commitments will expire or terminate without actually being funded.

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(Amount expressed in US\$ dollars)

10. Risk Management (continued)

Capital risk

The Bank monitors its capital adequacy using ratios based on industry best practices and the recommendations issued by the Basel Committee on Banking Regulations and Supervisory Practices. The capital adequacy ratio measures capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off-balance sheet commitments and other risk positions at a weighted amount. These internal ratios are based on both an Earnings-at-Risk model and a Net Economic Value Sensitivity model, which are part of the Bank's ALM (Asset/Liability Management) methodology. These models yield an estimate of the potential loss that might occur if the Bank's balance sheet structure remained unchanged during specific periods of time and market volatility affects its risk exposure.

The market risk approach used by the Bank to calculate its capital requirements covers the general market risk of the Bank's operations and the specific risks of open positions in currencies, debt, and equity securities included in the risk portfolio. Assets are weighted according to broad categories of notional credit risk, and assigned a risk weighting average according to the capital amount deemed necessary to support them. Four categories of risk weights (0, 20, 50, 100) are applied. For example cash and cash collateralized loans have zero risk weighting, which means no capital is required to support holding these assets. Premises and equipment carry a 100% risk weighting, meaning they must be supported by capital equal to 12% of the amount shown.

The Bank is subject to regulatory capital requirements established by the Cayman Islands Monetary Authority ("CIMA"). Failure to meet minimum capital requirements can initiate certain actions by the regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines used by CIMA and prescribed under The Banks and Trust Companies Law (Revised) of the Cayman Islands, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by CIMA about components and risk weightings.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of capital.

Atlantic Security Bank
Notes to the Financial Statements
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10. Risk Management (continued)

The Bank's actual capital amount and its risk asset ratio, pursuant to CIMA reporting schedules as well as CIMA's minimum requirements, are presented in the following table:

<i>Balance sheet assets and off-balance sheet positions (Net of provision)</i>	<i>Weight %</i>	<i>Nominal Amount US\$ 000</i>	<i>Weighted Assets US\$ 000</i>
Cash	0	26	-
Deposits with banks granted to third parties	0	340,256	-
Deposits with banks	20	289,177	57,835
Available-for-sale securities zone A, government and banks-up to 1 year	20	75,941	15,188
Financial assets available-for-sale	100	512,133	512,133
Cash collateralized loan	0	50,420	-
Loans covered by bank guarantees	20	1,700	340
Other loans	100	106,461	106,461
Premises and equipment	100	263	263
Other assets	100	18,218	18,218
Letters of credit	100	4,876	4,876
Cash covered letters of credit	0	19,283	-
Total risk weighted assets			<u>715,315</u>
Capital base (includes Tier Capital 1 and 2)			147,612
Less: -Change net in valuation of available for sale financial assets			<u>(46,672)</u>
Adjusted Capital base			<u>100,940</u>
Capital adequacy ratio as of December 31, 2008			14.1%
Capital adequacy ratio as of December 31, 2007			14.6%
Minimum capital adequacy regulatory ratio			12.0%

Since December 7, 2006, the Bank was authorized to adjust its minimum capital adequacy regulatory ratio from 15% to a new minimum of 12%.

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11. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be realized in a current transaction between parties at arm's length, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, should it exist.

For quoted investments, market prices are used to determine the fair value of such investments. The fair value of investment funds is determined by reference to the net asset values of the funds as provided by the respective administrators of such funds.

The following summary presents the methodologies and assumptions used to estimate the fair value of the Bank's financial instruments:

- *Cash and due from banks, interest bearing deposits with banks, federal funds sold and overnight placements.* The fair values of these financial assets are considered to approximate their respective carrying values due to their short-term nature.
- *Available-for-sale-securities.* The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at close of business of the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.
- *Loans.* The fair value of the loan portfolio approximates its carrying value due to either the short-term nature of loans and/or the fact that the loan portfolio is composed mainly of cash collateral loans.
- *Deposits, purchased funds and other borrowed funds.* The fair value of these financial liabilities approximates their respective carrying values due to either their short-term nature and/or the fact that their interest rates are comparable to those available for liabilities with similar terms and conditions.

Atlantic Security Bank
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11. Fair Value of Financial Instruments (continued)

<i>Assets</i>	2008		2007	
	Carrying Value US\$000	Fair Value US\$000	Carrying Value US\$000	Fair Value US\$000
Cash and cash equivalents	227,930	227,930	235,682	235,682
Due from banks	356,481	356,481	312,424	312,424
Financial assets	588,074	588,074	853,738	853,738
Loans	201,405	201,405	130,096	130,096
Other assets	18,481	18,481	21,911	21,911
	<u>1,392,371</u>	<u>1,392,371</u>	<u>1,553,851</u>	<u>1,553,851</u>
 <i>Liabilities</i>				
Deposits:				
Non-interest bearing	113,192	113,192	52,281	52,281
Interest bearing	1,161,523	1,161,523	1,335,615	1,335,615
Borrowed funds	15,000	15,000	-	-
Other liabilities	16,714	16,714	18,690	18,690
	<u>1,306,429</u>	<u>1,306,429</u>	<u>1,406,586</u>	<u>1,406,586</u>

12. Share Capital

The number of authorized, issued and outstanding ordinary shares of the Bank as of December 31, 2008 was 70,000,000. (2007: 50,000,000) at US\$1 per share. The additional paid in capital was authorized by the Board of Directors on December 23, 2008.

13. Commitments and Contingencies

The financial statements do not reflect various commitments and contingencies which arise in the normal course of business and which involve elements of credit and liquidity risk. Among them are commercial letters of credit, stand by letters of credit and guarantees plus commitments to purchase and sell securities. The commitments and contingencies consist of:

	December 31	
	2008 US\$ 000	2007 US\$ 000
Commercial letters of credit	426	527
Stand by letters of credit and guarantees	24,106	41,987
Assets pledged on behalf of third parties (Note 9)	588	286,912

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13. Commitments and Contingencies (continued)

Commercial and stand-by letters of credit and guarantees include exposure to credit risk in the event of nonperformance by customers. Risks also arise from the possible nonperformance by the counterparty to the transactions.

Since stand-by letters of credit and guarantees have fixed maturity dates and many of them expire without being drawn upon, they do not generally present a significant liquidity risk to the Bank.

14. Fiduciary Activities

The Bank provides custody, trustee, investment management and advisory services to third parties which involve the Bank in making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Such assets as are held in a fiduciary capacity are not included on these financial statements. These services might give rise to the risk that the Bank might be accused of failing to fulfill fiduciary duties and responsibilities.

Assets managed on behalf of customers by the Bank comprised loans and investment securities totaling US\$1,639,364,778 and US\$2,241,789,862 in 2008 and 2007, respectively. These assets include mutual funds with net assets of US\$442,401,091 and US\$650,022,398, according to statements of net assets prepared by the funds' management at December 31, 2008 and 2007.

15. Concentration of Assets and Liabilities

At December 31, 2008 and 2007, the geographic concentration of significant assets (cash and cash equivalents, interest-bearing deposits with banks and risk portfolio) and liabilities (deposits, purchased funds and other borrowed funds) is as follows:

	2008	
	Assets US\$000	Liabilities US\$000
Latin America and the Caribbean	446,448	1,285,797
United States of America	886,744	816
Other countries	40,698	3,102
	<u>1,373,890</u>	<u>1,289,715</u>

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15. Concentration of Assets and Liabilities (continued)

	2007	
	Assets US\$000	Liabilities US\$000
Latin America and the Caribbean	611,815	1,372,345
United States of America	846,435	13,424
Other countries	73,690	2,128
	<u>1,531,940</u>	<u>1,387,897</u>

16. Derivative Financial Instruments

The Bank uses the following derivative instruments exclusively for hedging purposes. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities, together with their notional amounts. The notional amount, is recorded as gross amount, is the amount of the derivative's underlying asset, referenced to rates or indexes and is the basis upon which changes in the value of derivatives are measured. The notional amount indicates the volume of transactions outstanding at year end and is indicative of neither the market risk nor the credit risk.

	2008			2007		
	<i>Assets</i> <i>US\$000</i>	<i>Liabilities</i> <i>US\$000</i>	<i>Notional</i> <i>Amount</i> <i>US\$000</i>	<i>Assets</i> <i>US\$000</i>	<i>Liabilities</i> <i>US\$000</i>	<i>Notional</i> <i>Amount</i> <i>US\$000</i>
Derivatives held as fair value hedge						
Forward foreign currency contracts - purchase	-	-	-	383	-	6,926
Forward foreign currency contracts - sale	<u>663</u>	<u>-</u>	<u>10,214</u>	<u>-</u>	<u>499</u>	<u>14,791</u>
	<u>663</u>	<u>-</u>	<u>10,214</u>	<u>383</u>	<u>499</u>	<u>21,717</u>

For the year ended 31 December 2008, the Bank recognized a net loss of US\$ 7,180 (2007: US\$1,997,991), representing the net loss in derivative financial instruments held for trading and hedge purposes.

As of December 31, 2008, the Bank has positions in the following types of derivatives: