Financial Statements

ATLANTIC SECURITY BANK

Your ended December 31, 2004 and 2003
with Independent Auditors' Report

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GENERAL INFORMATION

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Banco de Credito del Peru – Miami Agency
Banco de Credito del Peru – Panama Branch
HSBC Bank USA
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Barclays Bank
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Report of Independent Auditors

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS
ATLANTIC SECURITY BANK

We have audited the accompanying balance sheets of Atlantic Security Bank (the Bank) as of December 31, 2004 and 2003, and the related statements of income, changes in shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. 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. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Atlantic Security Bank as of December 31, 2004 and 2003, and the results of its operations, the changes in shareholder's equity and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young

February 21, 2005

BALANCE SHEETS
December 31, 2004 and 2003

	Notes	***2004*** ***US$000***	*2003* *US$000*
ASSETS			
Cash and cash equivalents			
Cash and deposits with banks		**33**	61
Overnight placements		**25,000**	29,000
Total cash and cash equivalents		**25,033**	29,061
Interest- bearing deposits with banks	3, 8	**174,350**	149,136
Risk portfolio, net	4, 7, 8	**602,302**	550,724
Premises and equipment, net	5	**266**	148
Intangible asset, net	6	**1,049**	-
Due from customers on acceptance	8	**-**	624
Interest receivable	8	**8,289**	8,293
Other assets		**3,404**	6,517
TOTAL ASSETS		**814,693**	744,503
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Deposits			
Non interest- bearing – demand		**34,454**	27,111
Interest- bearing			
Demand	8	**36,075**	51,342
Time		**618,878**	555,453
Purchased funds		**5,530**	2,943
Other borrowed funds	7	**10,470**	-
Acceptances outstanding	8	**-**	624
Interest payable	8	**4,981**	3,736
Other liabilities		**5,613**	5,454
Total liabilities		**716,001**	646,663
Commitments and contingent liabilities	11, 12, 14		
Shareholder's Equity			
Share capital	10	**40,000**	40,000
Reserve for valuation of available for sale financial assets	4	**9,926**	10,975
Retained earnings		**48,766**	46,865
Total Shareholder's Equity		**98,692**	97,840
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**814,693**	744,503

STATEMENTS OF INCOME

For the years ended December 31, 2004 and 2003

	Notes	***2004 US$000***	*2003 US$000*
Interest and dividend income			
Interest on deposits with banks and overnight placements		**11,761**	10,466
Interest and dividends on risk portfolio		**17,289**	17,218
Interest on loans		**9,814**	10,164
Total interest and dividend income	8	**38,864**	37,848
Interest expense			
Interest on deposits		**23,722**	21,986
Interest on borrowed funds		**84**	15
Interest on purchased funds		**52**	41
Total interest expense	8	**23,858**	22,042
Net interest income		**15,006**	15,806
Allowance for loan losses	4	**(437)**	(2,945)
Net interest income after provision for loan losses		**14,569**	12,861
Non-interest income (expenses)			
Fees and commission income	8	**6,449**	5,438
Fees and commission expense	8	**(2,096)**	(1,848)
Net realized gains on sales of financial assets	8	**3,461**	6,791
Provision for impairment of investment securities	4	**(514)**	(9,416)
Foreign exchange gain		**233**	846
Other	4	**169**	36
Total non-interest income (expenses) net		**7,702**	1,847
Operating expenses			
Salaries and employee benefits		**3,873**	3,582
General and administrative expenses	8	**2,238**	2,181
Depreciation and amortization	5	**169**	181
Other		**90**	59
Total operating expenses		**6,370**	6,003
Net income		**15,901**	8,705

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

For the years ended December 31, 2004 and 2003

	Note	*Share Capital US$000*	*Reserve for Valuation of Available for Sale Financial Assets US$000*	*Retained Earnings US$000*	*Total Shareholder's Equity US$000*
At January 1, 2003		40,000	(7,417)	60,684	93,267
Net change in fair value of available-for-sale financial assets	4	-	18,392	-	18,392
Net income		-	-	8,705	8,705
Dividends paid		-	-	(22,524)	(22,524)
At December 31, 2003		40,000	10,975	46,865	97,840
Net change in fair value of available-for-sale financial assets	4	**-**	**(1,049)**	**-**	**(1,049)**
Net income		**-**	**-**	**15,901**	**15,901**
Dividends paid		**-**	**-**	**(14,000)**	**(14,000)**
At December 31, 2004		**40,000**	**9,926**	**48,766**	**98,692**

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2004 and 2003

	2004 US$000	*2003 US$000*
Cash flows from operating activities		
Net income	**15,901**	8,705
Adjustments:		
Interest expense	**23,858**	22,042
Interest and dividend income	**(38,864)**	(37,848)
Provision relating to risk portfolio	**851**	12,361
Gain on sale of financial assets	**(3,461)**	(6,791)
Depreciation and amortization	**169**	181
Operating results before working capital changes	**(1,546)**	(1,350)
Net decrease in loans	**2,844**	5,150
Net (decrease) increase in interest-bearing deposits with banks	**(25,214)**	1,452
Net increase in deposits	**55,501**	86,779
Interest paid	**(22,613)**	(22,133)
Interest and dividends received	**38,868**	37,871
Net changes in other assets and other liabilities	**3,273**	224
Net cash flows from operating activities	**51,113**	107,993
Cash flows from investing activities		
Purchases of financial assets	**(242,374)**	(332,984)
Disposal of financial assets	**189,512**	250,044
Acquisition of premises and equipment	**(287)**	(87)
Intangible asset	**(1,049)**	-
Proceeds from sale of premises and equipment	**-**	19
Net cash flows used in investing activities	**(54,198)**	(83,008)
Cash flows from financing activities		
Net increase in purchased funds	**2,587**	120
Net increase (decrease) in other borrowed funds	**10,470**	(3,112)
Dividends paid	**(14,000)**	(22,524)
Net cash flows used in financing activities	**(943)**	(25,516)
Net decrease in cash and cash equivalents	**(4,028)**	(531)
Cash and cash equivalents at January 1	**29,061**	29,592
Cash and cash equivalents at December 31	**25,033**	29,061

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

1. Corporate Information

The financial statements were approved for issue by President Carlos Muñoz on behalf of the Board of Directors of Atlantic Security Bank on February 24, 2005.

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. Credicorp Ltd., a limited liability company organized under the laws of Bermuda, owns 100% of ASHC's shares, is the ultimate parent company. The Bank is incorporated and domiciled in the Cayman Islands.

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.

As of December 31, 2004 and 2003, the Bank employed 53 and 52 persons, respectively.

2. Summary of Significant Accounting Policies

Basis of presentation

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") and the International Accounting Standards and Standing Interpretations Committee, interpretations approved by the IASC which remain in effect.

The financial statements have been prepared on an historical cost basis, except for the measurement at fair value of investment, derivative financial instruments and available-for-sale financial assets. The carrying values of such recognized assets and liabilities as are hedged are adjusted to record variations in the fair values attributable to the risks that are being hedged.

Use of 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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

2. Summary of Significant Accounting Policies (continued)

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, 2004, cash and cash equivalents are represented by deposits with banks and overnight placements.

Financial instruments

Financial instruments are used by the Bank to manage market risk, facilitate customer transactions, holding 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 9 to the financial statements.

Financial risk management policies

The Bank's operations are exposed to a wide variety of financial risks, including the effects of changes in prices of debt and equity instruments, foreign currency rates and interest rates.

The Bank seeks to minimize and control its risk exposure by the 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.

This Executive Committee 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.

Interest income and expense

Interest income and expense are recognized in the statement 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 loans become of doubtful collection, they are written down to recoverable amounts and interest income is thereafter recognized at the rate of interest which had been used to discount the future cash flows for the purpose of determining the recoverable amount.

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

2. Summary of Significant Accounting Policies (continued)

Fees and commissions income

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

Investment securities and purchased loans

On January 1, 2000 the Bank adopted International Financial Reporting Standards No.39 (IFRS 39) – Financial Instruments: Recognition and Measurement. This Standard allows classification of investment securities and purchased loans into the following categories:

Trading – Financial assets that are readily realizable and are acquired with intent to profit from market fluctuations.

Held to Maturity – Financial assets with fixed maturities for which Management has the positive intention and ability to hold to maturity.

Available- for- Sale – Financial assets intended to be held for an indefinite period of time and may be sold in response to liquidity need or changes in interest rates.

The Bank has classified its entire investment portfolio and purchased loans as available-for-sale. Under this category, investment securities and purchased loans are initially recognized at cost (which includes discounts and premium on fixed income investments and purchased loans amortizations). Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized as a separate component of shareholder's equity. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities. For quoted investments included in this category, market prices are used to determine fair value. The fair value of investment funds are determined by reference to the net asset values of the funds as provided by the respective administrators of such funds. While the fair value for purchased loans is based on the present value of expected cash flows.

Management gives the appropriate classification to investments and purchased loans at the time of purchase and evaluates such classification on a regular basis. Purchases and sales of investments are recognized on trade date basis, i.e., is the date on which the Bank commits to purchase or sell the asset.

Securities purchase subject to a linked repurchase agreement (Repos) are recorded on financial statements as investment securities and the counterparty liabilities is included in the amount due to others banks.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

2. Summary of Significant Accounting Policies (continued)

Originated loans and allowance for loan losses

Loans originated by the Bank by providing money directly to the borrower or to a subparticipation agent at draw down, are shown as loans originated by the Bank and are carried at amortized cost, (the fair value of cash consideration given to originating those loans as is determinable by reference to market prices at origination date). Third party expenses, such as legal fees, incurred in securing a loan, are treated as part of the transaction cost. All loans and advances are recognized when cash is advanced to borrowers.

A provision for loan losses is established if exist evidence that the Bank will not collect all amounts due according to the original contractual terms of loans. The amount of said provision is the difference between the carrying amount and the recoverable amount, the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original loan's effective interest rate.

Foreign currency conversion and translation

Substantially all of the Bank's transactions are performed in U. S. Dollars. Foreign currency transactions are translated in to U. S. dollars at the prevailing exchange rates as at 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 recognized on the income statement.

Translation differences on debt securities and other financial assets measured at fair value are included as foreign exchange gains or losses. The underlying translation differences on available-for-sale investments are included as unrealized gains or losses in shareholder's equity on the balance sheet, until their sale, in hence they are recognized on the income statement.

In relation to cash flow hedges (forward foreign currency contracts), hedge firm commitments are shown at fair value, recognized as an assets or a liability on the balance sheet, and the associated gains or losses are included in the income statement. Forward operations are recognized at fair value of the foreign currency commitment on the off-balance accounts.

Premises and equipment

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

Furniture and office equipment	2 to 3 years
Vehicles	5 years
Leasehold improvements	5 years

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

2. Summary of Significant Accounting Policies (continued)

Premises and equipment (continued)

The carrying values of premises and equipment are reviewed for impairment shows events or change in circumstances indicate that the carrying value may not be recoverable. If any such indication exist and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognized on the income statement.

Intangible assets

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

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognized as a capital improvements and therefore added to the original cost of the software. Computer software costs recognized as assets are amortized using the straight-line method over their useful lives, over a period not exceeding 5 years.

Fiduciary activities

Assets and income arising there from, 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 is not subject to taxation neither in the Cayman Islands nor in Panama since its activities are carried out offshore.

Comparative

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

3. Interest – Bearing Deposits with Banks

At December 31 the interest- bearing deposits with banks were deposited as follows:

	2004	*2003*
	US$000	*US$000*
Banco de Credito del Peru and subsidiaries (a subsidiary of Credicorp Ltd.)	**138,313**	114,510
Other financial institutions	**36,037**	34,626
	174,350	149,136

4. Risk Portfolio, Net

As of December 31, the risk portfolio is summarized as follows:

	2004	*2003*
	US$000	*US$000*
Available-for-sale financial assets, net	**453,194**	398,336
Loan portfolio, net	**149,108**	152,388
	602,302	550,724

Available-for-sale financial assets

The available-for-sale financial assets portfolio is summarized as follows:

		2004	
	Cost	*Unrealized gains*	*Fair value*
	US$000	*US$000*	*US$000*
U. S. corporate bonds	**217,125**	**2,062**	**219,187**
Non - U. S. corporate bonds	**57,006**	**265**	**57,271**
Equity securities (including mutual funds)	**91,962**	**431**	**92,393**
Sovereign debt	**52,675**	**4,683**	**57,358**
Purchased loans	**26,985**	**-**	**26,985**
	445,753	**7,441**	**453,194**
Less:			
Provision for impairment of financial assets	**(2,485)**	**2,485**	**-**
	443,268	**9,926**	**453,194**

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

4. Risk Portfolio, Net (continued)

Available-for-sale financial assets (continued)

		2003	
	Cost	*Unrealized gains*	*Fair value*
	US$000	*US$000*	*US$000*
U. S. corporate bonds	198,424	3,661	202,085
Non - U. S. corporate bonds	68,079	1,032	69,111
Equity securities (including mutual funds)	43,136	2,535	45,671
Sovereign debt	36,057	412	36,469
Purchased loans	45,000	-	45,000
	390,696	7,640	398,336
Less:			
Provision for impairment of financial assets	(3,335)	3,335	-
	387,361	10,975	398,336

Fair value for available-for-sale financial assets portfolio is represented by available market quotations of markets where investments are actively traded and discounted cash flows for purchased loans. Amounts reported in the statement of income relating to gains on available-for-sale financial assets are detailed as follows at December 31:

	2004	*2003*
	US$000	*US$000*
Realized gains on sales of financial assets	**3,461**	6,791

At December 31, the movement in available-for-sale financial assets is summarized as follows:

	2004	*2003*
	US$000	*US$000*
Balance at January 1st	**398,336**	299,629
Purchases	**242,374**	332,984
Disposals and written-off, net	**(183,982)**	(249,334)
(Loss) gains from changes in fair value	**(1,049)**	18,392
Provision for impairment of financial assets	**(2,485)**	(3,335)
Balance at December 31	**453,194**	398,336

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

4. Risk Portfolio, Net (continued)

Loan portfolio, net

At December 31, the composition of the loan portfolio by industry is as follows:

	2004 US$000	*2003 US$000*
Corporate:		
Manufacturing	**44,423**	39,111
Commercial	**30,953**	31,710
Financial services	**18,069**	17,361
Agriculture	**7,224**	5,747
Real estate and construction	**16,522**	16,527
Mining and other related activities	**9,592**	9,620
Transportation and communications	**7,784**	11,937
Public utilities	**1,289**	1,988
Education, health and other services	**1,036**	666
Fishing	**6,465**	7,137
	143,357	141,804
Personal loans and others	**8,947**	15,345
	152,304	157,149
Less: Allowance for loan losses	**(3,196)**	(4,761)
	149,108	152,388

As of December 31, 2004 there was a loan in non accrual status for US$1,665,773.

At December 31, the distribution for loan portfolio by type of interest rates is as follows:

	2004 US$000	*2003 US$000*
Fixed interest rates	**122,951**	99,468
Floating interest rates	**29,353**	57,681
	152,304	157,149

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

4. Risk Portfolio, Net (continued)

Loan portfolio, net (continued)

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

	2004				
		Loan Collaterals			
	Carrying value US$000	*U. S. securities and real estate US$000*	*U. S. dollar deposits US$000*	*Other collateral US$000*	*Uncollate-realized portion US$000*
Peru	**103,334**	**1,557**	**79,685**	**11,268**	**10,824**
Bolivia	**9,530**	**-**	**30**	**-**	**9,500**
Grand Cayman Islands	**2,735**	**-**	**-**	**2,735**	**-**
British Virgin Islands	**3,922**	**521**	**-**	**2,002**	**1,399**
Dominican Republic	**288**	**-**	**-**	**-**	**288**
Colombia	**7,355**	**77**	**7,263**	**15**	**-**
Chile	**1,215**	**-**	**1,215**	**-**	**-**
United States of America	**3,268**	**812**	**271**	**2,185**	**-**
Nicaragua	**6,000**	**-**	**-**	**3,800**	**2,200**
Marshall Islands	**1,500**	**-**	**1,500**	**-**	**-**
El Salvador	**2,627**	**-**	**-**	**152**	**2,475**
Panama	**10,530**	**1,905**	**1,055**	**7,570**	**-**
	152,304	**4,872**	**91,019**	**29,727**	**26,686**

	2003				
		Loan Collaterals			
	Carrying value US$000	*U. S. securities and real estate US$000*	*U. S. dollar deposits US$000*	*Other collateral US$000*	*Uncollate-realized portion US$000*
Peru	99,503	2,530	70,430	24,539	2,004
Bolivia	17,500	-	-	-	17,500
Bermuda	6,666	-	-	-	6,666
British Virgin Islands	7,224	1,235	300	5,689	-
Dominican Republic	988	-	-	-	988
Colombia	7,225	80	7,013	132	-
Chile	5,500	-	-	-	5,500
Honduras	4,766	-	-	4,766	-
United States of America	441	20	71	350	-
Nicaragua	5,500	-	-	-	5,500
Guatemala	1,303	25	-	28	1,250
El Salvador	194	-	-	194	-
Panama	339	-	339	-	-
	157,149	3,890	78,153	35,698	39,408

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

4. Risk Portfolio, Net (continued)

Loan portfolio, net (continued)

Changes in the provision for impairment of investment securities and allowance for loan losses are as follows:

	2004		
	Provision for impairment of financial assets US$000	*Allowance for loan losses US$000*	*Total US$000*
Balance at January 1st	**3,335**	**4,761**	**8,096**
Increase	**514**	**1,187**	**1,701**
Reversion	**(100)**	**(750)**	**(850)**
Written-off	**(1,264)**	**(2,002)**	**(3,266)**
Balance at December 31	**2,485**	**3,196**	**5,681**

	2003		
	Provision for impairment of financial assets US$000	*Allowance for loan losses US$000*	*Total US$000*
Balance at January 1st	665	1,881	2,546
Increase	9,416	2,945	12,361
Written-off	(6,746)	(65)	(6,811)
Balance at December 31	3,335	4,761	8,096

5. Premises and Equipment, Net

At December 31, a summary of premises and equipment is as follows:

	2004 US$000	*2003 US$000*
Furniture and office equipment	**1,220**	1,009
Vehicles	**98**	70
Leasehold improvements	**259**	259
	1,577	1,338
Less: accumulated depreciation and amortization	**(1,311)**	(1,190)
	266	148

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

5. Premises and Equipment, Net (continued)

Changes in premises and equipment for 2004 are detailed as follows:

	Cost US$000	*Depreciation and amortization US$000*
Balance at January 1st	**1,338**	**1,190**
Additions	**287**	**-**
Depreciation and amortization charge	**-**	**169**
Disposals	**(48)**	**(48)**
Balance at December 31	**1,577**	**1,311**

6. Intangible Asset, Net

A summary of intangible asset follows:

	2004 US$000
Intangible	**1,269**
Less: accumulated amortization	**(220)**
	1,049

7. Other Borrowed Funds

At December 31, 2004 the Bank maintained borrowed funds related to short-term obligations with financial institutions for US$10,470,000. This obligation is collateralized by a repurchase agreement of financial assets for US$10,398,000.

The following table details the Bank's other borrowed funds:

	2004 US$000	*2003 US$000*
Amount outstanding at the end of the year	**10,470**	-
Average outstanding during the year	**2,046**	885
Maximum outstanding at any month end	**10,470**	3,223

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

8. Balances and Transactions with Related Parties

The term related parties is defined by Management to encompass other affiliated parties in which there exists control or significant influence through common ownership, management or directorships.

Related party balances and transactions comprise:

	2004 US$000	*2003 US$000*
Balance sheets		
Assets:		
Interest-bearing deposits with banks	**138,313**	114,510
Risk portfolio:		
Investments in mutual funds managed by the Bank and other related parties	**6,384**	9,745
Loans	**14,731**	22,458
Due from customers on acceptance	**-**	624
Interest receivable	**1,584**	1,363
Liabilities:		
Deposits (demand and time)	**31,274**	7,540
Acceptances outstanding	**-**	624
Interest payable	**65**	-
Off-balance sheets:		
Commitments for letters of credit	**959**	1,108
Investment on behalf of customers	**285,915**	256,571
Guarantees received	**1,945**	1,003
Guarantees granted	**141,955**	111,617
Statements of income		
Transactions:		
Interest and dividend income	**11,463**	9,745
Interest on deposits	**525**	776
Fees and commissions income	**2,110**	2,546
Fees and commissions expense	**1,257**	1,008
Net realized gains on sale of financial assets	**158**	-

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

8. Balances and Transactions with Related Parties (continued)

At December 31, 2004, loans receivable from related parties of US$41,099,529 (2003 – US$31,496,928), 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, 2004, the interest-bearing deposits with banks include deposits with Banco de Credito del Peru and Subsidiaries for US$136,803,323 (2003 – US$109,624,192), 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.

9. Financial Risk Management

Capital adequacy

The Bank monitors its capital adequacy using ratios said to be comparable to those suggested by the Basle 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 an Internal Value At Risk model. The Value At Risk measure used by the Bank is an estimate of the potential loss that might occur if assets have remained unchanged during a specific period of time and downward market volatility affects the general risk exposures (interest rate, market and credit risk) of the Bank.

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 and 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 15% 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

9. Financial Risk Management (continued)

Capital adequacy (continued)

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

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:

Balance sheet assets and off-balance sheet positions (Net of provision)	*Weight %*	*Nominal amount US$000*	*Weighted assets US$000*
Cash	0	33	-
Deposits with banks	20	199,350	39,870
Available-for-sale securities zone A, government and banks-up to 1 year	20	46,789	9,358
Financial assets available-for-sale	100	408,005	408,005
Cash collateralized loans	0	89,905	-
Loans covered by bank guarantees	20	549	110
Other loans	100	60,351	60,351
Premises and equipment	100	266	266
Other assets	100	12,742	12,742
Customers' acceptances	100	-	-
Letters of credit	100	11,828	11,828
Short term letters of credit	20	959	192
Cash covered letters of credit	0	22,356	-
Asset pledged on behalf third parties (cash collateralized portion)	0	141,098	-
Assets pledged on behalf of third parties	100	857	857
Total risk weighted assets			543,579
Capital base			98,692
Add:			
Unallocated allowance for loan losses			1,697
Unallocated provision for impairment of financial assets			1,600
Adjusted capital base			101,989
Capital adequacy ratio as of December 31, 2004			**18.76%**
Capital adequacy ratio as of December 31, 2003			18.92%
Minimum capital adequacy regulatory ratio			**15%**

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

9. Financial Risk Management (continued)

Credit risk

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 investment 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 is provided in Note 4.

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.

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 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 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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

9. Financial Risk Management (continued)

Interest rate risk

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.

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.

2004

Assets	*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*	*Total US$000*
Cash and cash equivalents	**25,000**	**-**	**-**	**-**	**-**	**33**	**25,033**
Due from banks	**58,922**	**72,825**	**40,162**	**2,441**	**-**	**-**	**174,350**
Financial assets	**7,948**	**23,822**	**78,586**	**236,034**	**49,473**	**57,331**	**453,194**
Loans	**32,966**	**21,381**	**71,254**	**23,090**	**-**	**417**	**149,108**
Other assets	**-**	**-**	**-**	**-**	**-**	**13,008**	**13,008**
	124,836	**118,028**	**190,002**	**261,565**	**49,473**	**70,789**	**814,693**

Liabilities	*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*	*Total US$000*
Deposits:							
Non-interest Bearing	**-**	**-**	**-**	**-**	**-**	**34,454**	**34,454**
Interest bearing	**174,530**	**184,308**	**190,214**	**105,901**	**-**	**-**	**654,953**
Purchased funds	**5,530**	**-**	**-**	**-**	**-**	**-**	**5,530**
Other borrowed funds	**10,470**	**-**	**-**	**-**	**-**	**-**	**10,470**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**10,594**	**10,594**
	190,530	**184,308**	**190,214**	**105,901**	**-**	**45,048**	**716,001**
Total interest sensitivity gap	**(65,694)**	**(66,280)**	**(212)**	**155,664**	**49,473**		

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

9. Financial Risk Management (continued)

Interest rate risk (continued)

	2003						
Assets	*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*	*Total US$000*
Cash and cash equivalents	29,000	-	-	-	-	61	29,061
Due from banks	61,428	25,278	49,285	12,375	770	-	149,136
Financial assets	14,722	20,225	64,024	197,811	55,883	45,671	398,336
Loans	36,026	30,634	72,412	13,316	-	-	152,388
Other assets	-	-	-	-	-	15,582	15,582
	141,176	76,137	185,721	223,502	56,653	61,314	744,503

Liabilities	*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*	*Total US$000*
Deposits:							
Non-interest bearing	-	-	-	-	-	27,111	27,111
Interest bearing	219,237	109,647	152,531	125,380			606,795
Purchased funds	2,943	-	-	-	-	-	2,943
Other liabilities	-	-	-	-	-	9,814	9,814
	222,180	109,647	152,531	125,380	-	36,925	646,663
Total interest sensitivity gap	(81,004)	(33,510)	33,190	98,122	56,653		

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

	2004 %		*2003 %*	
	End of Year	***During the Year***	*End of Year*	*During the Year*
Assets				
Interest - bearing deposits with banks	**6.65**	**6.63**	6.53	5.28
Financial assets	**4.82**	**4.44**	4.86	4.43
Loans	**6.48**	**6.48**	5.19	5.76
Liabilities				
Deposits	**4.19**	**4.05**	3.60	3.57
Borrowed funds	**1.88**	**2.06**	1.37	1.78

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

9. Financial Risk Management (continued)

Liquidity risk

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. At December 31, 2004 and 2003, the Bank holds a substantial amount of investment grade securities which Management considers a secondary of liquidity source.

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

2004

Assets	*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*	*Without maturity/ past due loans US$000*	*Total US$000*
Cash and cash equivalents	**25,033**	**-**	**-**	**-**	**-**	**-**	**25,033**
Due from banks	**52,345**	**79,502**	**40,062**	**2,441**	**-**	**-**	**174,350**
Financial assets	**3,876**	**23,822**	**82,657**	**236,034**	**49,474**	**57,331**	**453,194**
Loans	**19,233**	**21,537**	**84,769**	**23,152**	**417**	**-**	**149,108**
Other assets	**-**	**-**	**-**	**-**	**-**	**13,008**	**13,008**
Total assets	**100,487**	**124,861**	**207,488**	**261,627**	**49,891**	**70,339**	**814,693**

Liabilities	*Up to 1 month US$000*	*1 to 3 months US$000*	*3 to 12 months US$000*	*1 to5 years US$000*	*Over 5 years US$000*	*Without maturity/ past due loans US$000*	*Total US$000*
Deposits:							
Non-interest bearing	**34,454**	**-**	**-**	**-**	**-**	**-**	**34,454**
Interest bearing	**172,334**	**184,361**	**192,332**	**105,926**	**-**	**-**	**654,953**
Purchased funds	**5,530**	**-**	**-**	**-**	**-**	**-**	**5,530**
Other borrowed funds	**10,470**	**-**	**-**	**-**	**-**	**-**	**10,470**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**10,594**	**10,594**
Total liabilities	**222,788**	**184,361**	**192,332**	**105,926**	**-**	**10,594**	**716,001**
Net liquidity gap	**(122,301)**	**(59,500)**	**15,156**	**155,701**	**49,891**	**59,745**	**98,692**

2003

Total assets	112,951	51,487	194,455	266,251	56,652	62,707	744,503
Total liabilities	249,291	109,645	152,532	125,381	-	9,814	646,663
Net liquidity gap	(136,340)	(58,158)	41,923	140,870	56,652	52,893	97,840

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

9. Financial Risk Management (continued)

Liquidity risk (continued)

The matching and controlled mis-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.

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 exists it.

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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

9. Financial Risk Management (continued)

Fair value of financial instruments (continued)

- *Available-for-sale-securities.* The fair values are based on quoted market values of securities and net asset value of the shares of investment funds as reported by the administrators of the investee funds.

- *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.

10. Share Capital

The number of authorized, issued and outstanding ordinary shares of the Bank as of December 31, 2004 and 2003 were 40,000,000 at US$1 per share.

11. Commitments and Contingent Liabilities

The financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit and liquidity risk. Among then 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:

	2004	*2003*
	US$000	*US$000*
Commercial letters of credit	**959**	1,108
Stand-by letters-of-credit and guarantees	**34,184**	23,158
Assets pledged on behalf of third parties (Note 8)	**141,955**	111,617

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

11. Commitments and Contingent Liabilities (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.

12. 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$758,521,208 and US$664,142,291 in 2004 and 2003. These assets include mutual funds with net assets of US$422,548,674 and US$403,199,492, according to statements of net assets prepared by the funds' management at December 31, 2004 and 2003.

13. Concentration of Assets and Liabilities

At December 31, 2004 and 2003, 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:

	2004	
	Assets *US$000*	*Liabilities* *US$000*
Latin America and the Caribbean	**434,355**	**699,706**
United States of America	**342,037**	**4,989**
Other countries	**25,293**	**712**
	801,685	**705,407**

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

13. Concentration of Assets and Liabilities (continued)

	2003	
	Assets *US$000*	*Liabilities* *US$000*
Latin America and the Caribbean	461,523	633,319
United States of America	238,482	3,515
Other countries	28,916	15
	728,921	636,849

14. Forwards Contracts

At 31 December 2004, the Bank held three forward contracts designated as hedges of expected future sales to customers for which the Bank has firm commitments. The Bank also has three forward contracts outstanding as at 31 December 2004 designated as hedges of expected future purchases. Foreign currency forward contracts futures are contractual obligations to receive or pay a net amount based on changes in currency rates on a future date at a specified price. The hedge forward contracts are being used to reduce the exposure to foreign exchange risk. However, the risk of default of the term and conditions by the counterparty does exist.

The terms of these contracts are as follows:

	Maturity	*Exchange rate*
Sell		
PEN$ 7,443,727	28 March 2005	US$/PEN$3.268
PEN$ 7,552,707	27 June 2005	US$/PEN$3.268
PEN$ 11,494,992	26 September 2005	US$/PEN$3.268
Buy		
PEN$ 7,445,822	28 March 2005	US$/PEN$3.268
PEN$ 7,554,822	27 June 2005	US$/PEN$3.268
PEN$ 11,498,196	26 September 2005	US$/PEN$3.268

At 31 December 2003, the Bank held one forward contract to hedge future sale PEN$70,663,514 (US$20,188,475) and one contract to hedge future purchases PEN$70,663,702 (US$20,188,475) both of them with maturity as January 5, 2004 to an exchange rate of US$/PEN$3.393.