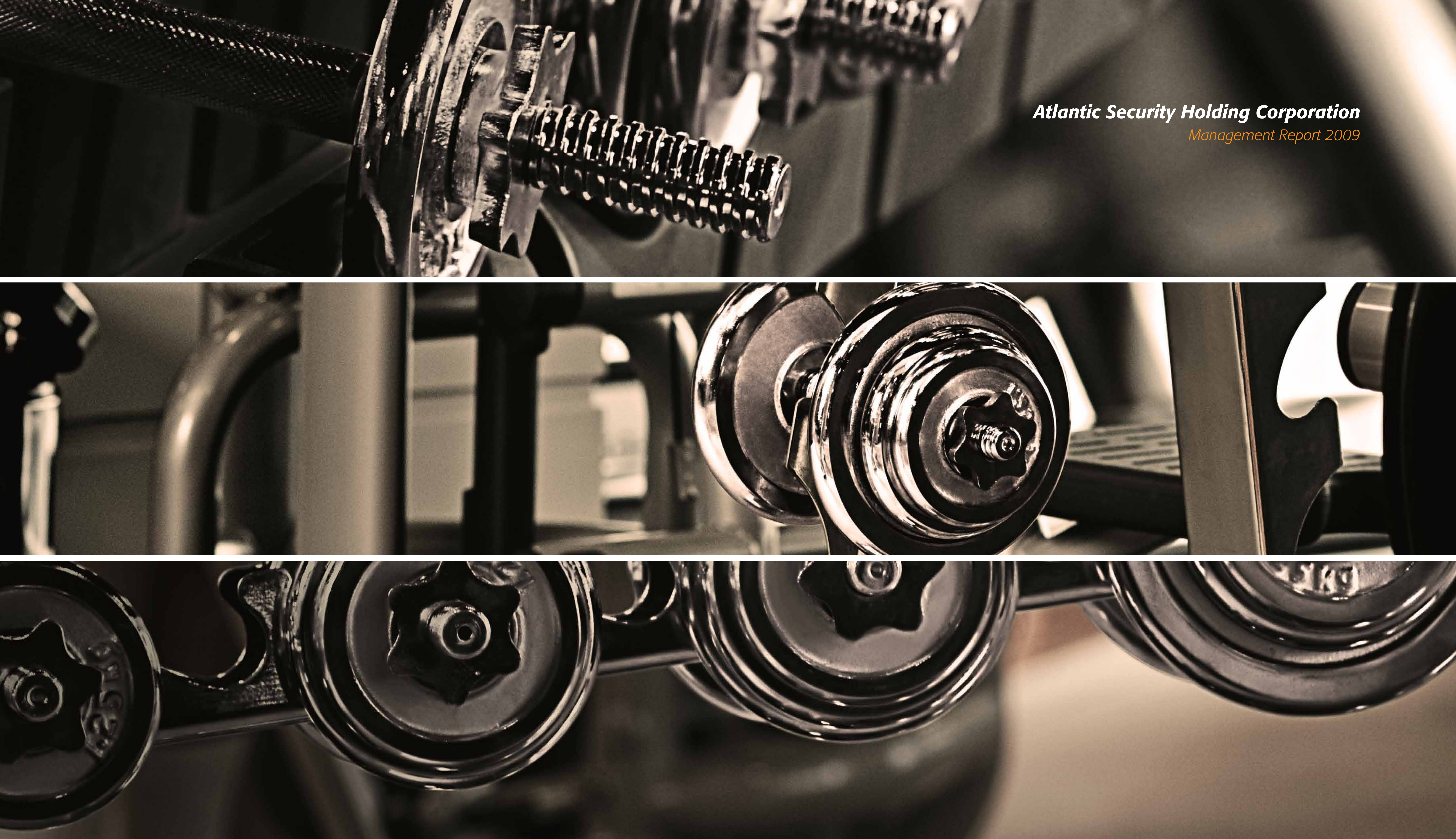
Atlantic Security Holding Corporation

Management Report 2009



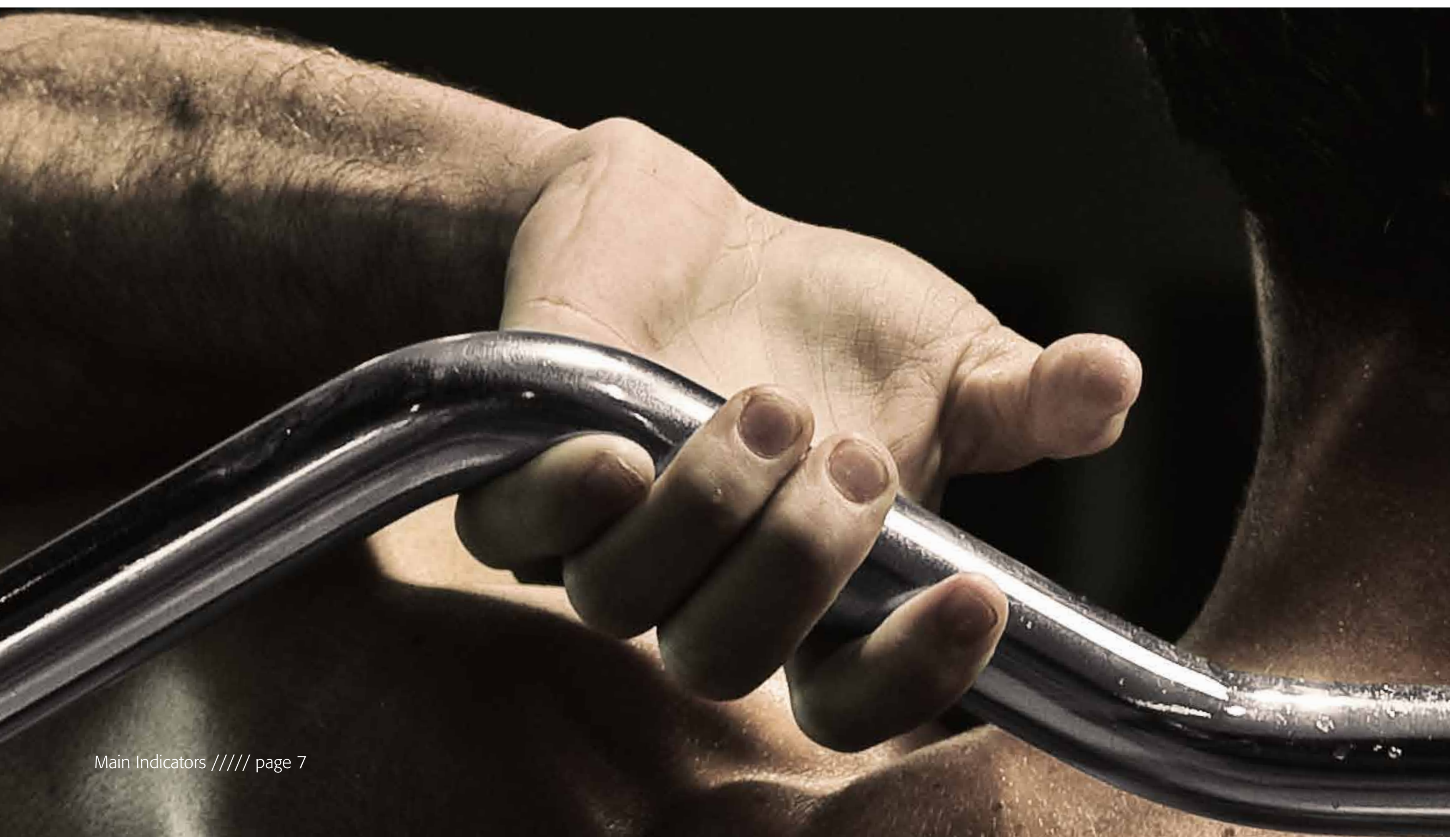
Content

Market Outlook

The year 2009 began immersed in a crisis that emerged at the end of 2008 and it looks like the year 2010 will inherit the uncertainty that prevails as to the strength of a recovery that currently stems from the offer side rather than from the demand side. This is evidenced by the evolution of the Purchasing Manager's Index (PMI) the industrial production index that gathers information from the manufacturing and trade sectors of the leading world economies, since as from October, such economies are positioned in expansive ground. However, the pace at which such recovery occurred varied. China led the recovery reaching expansive ground already since April, whereas Germany and the United Kingdom lagged behind, as they obtained positive results only in October. Furthermore, the upturn of industrial production, especially in developed countries, was the result of strong (although transitory) incentive packages. Thus, for instance, while the incentive programs for the purchase of automobiles in Germany and France started in February, they kept boosting their production throughout the subsequent months.

Growth rates are validating recovery expectations; however, recovery would only be moderate, particularly in the case of developed economies. While China accelerated its growth during the third quarter and grew 8.7% in 2009, in Brazil, Japan and Germany, the upturn only began to consolidate in the same period. In the United States, the GDP started growing during the third quarter, following a year of contraction, driven by the reactivation of consumption favored by the fiscal incentive packages. The impact of such packages was clear, taking into account that the two leading components that generated the upturn (that is, personal consumption and residential investment) were backed by incentive programs: (i) "Cash for clunkers", a government program that granted up to US$ 4,500 for the purchase of new cars, which boosted the purchase of 700,000 vehicles during the one month it lasted; and (ii) the loan granted to taxpayers who purchase a house for the first time was not only extended until the end of April, but now, in addition to a loan of up to US$ 8,000, it also offers another loan of up to US$ 6,500 to those buying houses for the second time.

It is then quite clear that the incentives that favored industrial production played a significant role in reactivating the economy. However, it is now important to sustain this recovery and the reaction of demand is essential to that effect. Growth perspectives for the year have evidenced gradual improvement in line with the reactivation of the offer. After hitting rock bottom during the second quarter of 2009, they are starting to reach the levels existing prior to the crisis outbreak. Thus, the world economy is expected to grow 3.2% this year (one percent more than the expectations six months ago, but still below the 3.7% average recorded during the 2005-2007 three-year period) while the United States and the European Union would grow 2.7% and 1.3%, respectively. It is worth mentioning some of the characteristics in this crisis solution process. In the first place, the dynamics of the emerging countries will surpass that of the developed countries, making their contribution to world growth larger. According to the International Monetary Fund (IMF) emerging countries will grow 5% this year, while the group of the seven leading world economies (G-7) will only grow 1.3%, below the average of the five years prior to the crisis (2.5%). Emerging Asia and Latin America would be leading the emerging recovery, while the United States would be doing the same (although only moderately) among the developed economies, which would have a slow growth, below their potential.

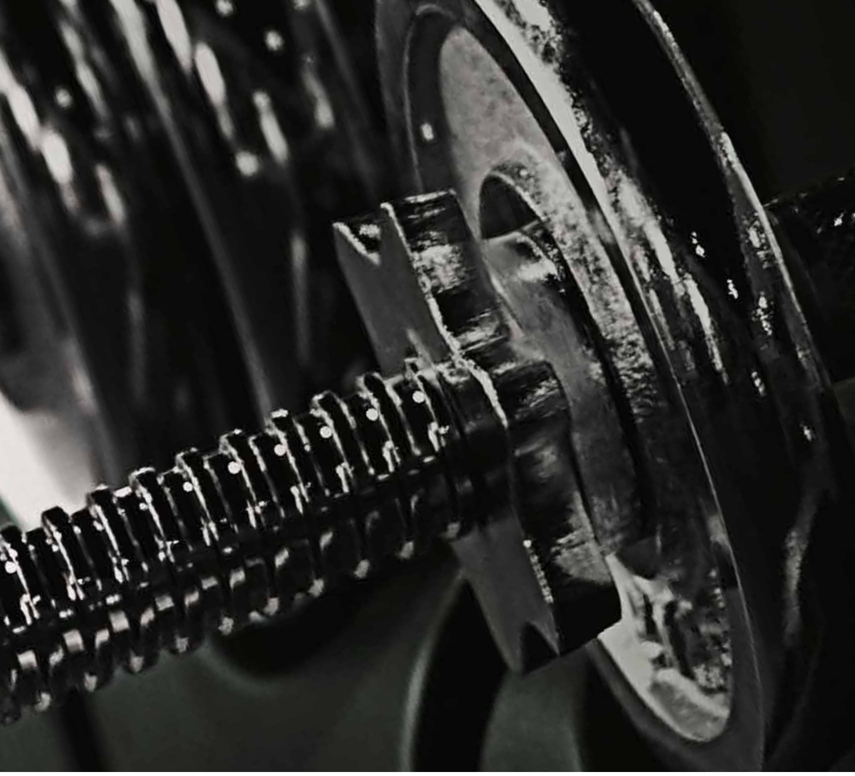


Main Indicators

ATLANTIC SECURITY HOLDING CORPORATION

	2008	2009
Profitability		
Net Income	-22.4	54.1
Net Income per Share (US$ million)	-0.25	0.60
Return on average equity [1,2]	-13.6%	30.4%
Return on average assets [1]	-1.5%	3.7%
Operations		
Operating Costs over Total Income	26.9%	10.7%
Operating Costs over Average Assets [1]	0.5%	0.5%
Balance Sheet (US$ million)		
Assets	1,454	1,484
Net Loans	201	132
Trading securities and investments [3]	650	849
Deposits	1,270	1,221
Net Equity	116	240
Managed Funds	1,427	1,387
Capital Adequacy (n° of times)		
Total Assets over Equity	12.6	6.2
Loan Portfolio Quality		
Past due loans over total loans	0.0%	0.0%
Provisions over past due loans	0.6%	0.8%
Other information		
Number of shares, net (in millions)	90.1	90.1
Number of employees	74	75

1 Averages determined from the average of the beginning, quarterly and final balances in each year
2 Equity does not include gains on the investment in Credicorp
3 Includes investments available for sale and long-term investments




Financial Results

Net earnings reported for the 2009 period amounted to US$ 54.1 million, reversing the loss of US$ 22.4 million reported the previous year, originated by the provisioning required for the impairment of the investment portfolio in the amount of US$ 44.1 million and the additional reserves to face possible contingencies regarding the Madoff case.

Therefore, the contribution of ASHC to Credicorp, net of dividends received, amounted to US$ 29.7 million, which reflected as well a significant recovery from the US$ 50.4 million loss reported in 2008.

Income from interest, net

Net income from interest, totaling US$ 51.7 million, showed an increase of 11% with respect to the previous year, due to the expansion observed in the financial margin as a result of the lower cost of funds, 16% below the 2008 figures. This lower funding cost reflects the continuous drop of the libor rates during 2010, a favorable scenario for the bank given the short-term structure of its customers' deposits and their fast re-pricing, in contrast with assets engaged at longer terms and higher interest rates. This item includes the dividends received from Credicorp Ltd. (BAP) in the amount of US$ 22 million, exactly the same amount received in 2008.

Non-financial income

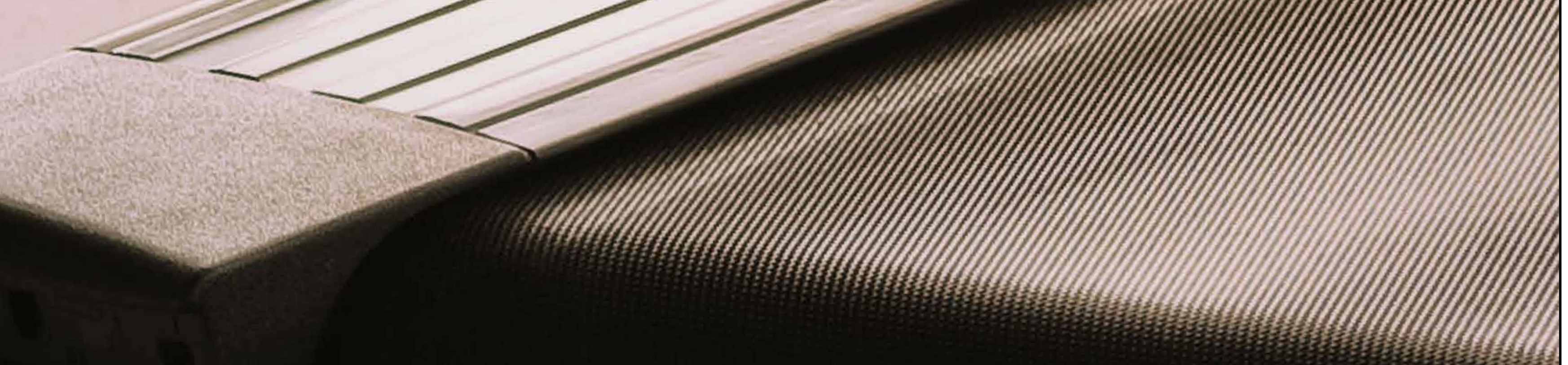
Non-financial income totaling US$ 20.8 million, included income from fees, earnings from the sale of securities, foreign exchange operations and other income or expenses. This performance reversed the previous year's results, which reflected the impact of the provision of US$ 43.5 million for potential losses and contingencies concerning the Madoff case.

The main components in this item were service fees amounting to US$ 6.4 million and earnings from the sale of instruments totaling US$ 7.3 million. Both items evidenced downturns of 24% and 11%, respectively, with respect to the previous year. In the case of service fees for the administration of funds, the drop is explained by two main factors. The first one was the reduction in the volume of managed funds originated by the loss of confidence in the market on the side of the clients and the second one was the devaluation of the managed funds, which persisted until halfway through the year, when the general recovery of the international financial markets began. Both factors together generated a significant delay in the collection of fees, which are directly related to the performance of the funds.

The additional component of this item consisted of other earnings amounting to US$ 7.6 million; this account concentrated reversions due to excess reserves established during 2008 as a result of the devaluation of the investment portfolio.

Operating expenses

Operating expenses amounting to US$ 7.8 million registered savings of US$ 549,000, which represented 7% less than the previous year. These lower operating costs and a higher level of total revenues as compared to 2008 contributed to improving our operating efficiency, which brought down the indicator from 26.9% to 10.7%.



Assets and Liabilities

Assets

The company's assets kept the structure of previous years, concentrating 85% of the total in available funds (33%) and investments available for sale (53%) in 2009.

Assets totaled US$ 1.484 million, which represented an increase in absolute terms of US$ 29 million and in relative terms, 2% with respect to 2008. This increase concentrated mostly in the Investments Available for Sale account, which increased US$ 203 million owing to the reactivation of the investment process, delayed during the first half of the year as a precautionary measure in the face of the complicated market setting of that period. The market valuation of the portfolio contributed to the aforementioned increase through the general recovery of its value by approximately US$ 70 million, with which it passed from an unrealized loss of US$ 46.7 million in 2008 to unrealized earnings of US$ 23.3 million in 2009.

The US$ 102 million decrease in the available funds account represented the funds used for the acquisition of instruments of the investments portfolio and the move made by clients towards managed investment products.

Loans also registered a decrease of US$ 69 million, as a result of the collection of loans and financing. Like in the portfolio of investments available for sale, loans were prudently kept rather quiet, awaiting recovery and the fading of uncertainty in the economic scenario.

Liabilities

Liabilities totaled US$ 1.244 million, which meant a decrease of US$ 94.6 million in absolute terms, and a 7% drop in relative terms, as compared with the previous year. Customers' deposits altogether dropped US$ 50 million, in great part due to the migration of customers' funds towards managed assets.

As for other liabilities, this account decreased by US$ 39.9 million, representing a 75% reduction with respect to the previous year. This decrease obeyed mainly to the fact that the reserve of US$ 36.7 million established to face the Madoff case contingencies was almost entirely used in 2009. The reserve was used after having closed private agreements with clients participating in the Atlantic US Blue Chip Fund, which was affected by the events occurred with Madoff Securities LLC.

Asset Management Business

As of the closing of 2009, the company managed customers' funds at market value, for an amount of close to US$ 2.168 million compared with US$ 1.639 million in 2008. This growth obeyed to the recovery of the value of managed assets and instruments in custody (brokerage) which during the first half of the year kept values and yields at low levels, owing to the difficult market scenario that prevailed, with high levels of uncertainty and volatility. Nevertheless, as from the second half, the performance of the ASB funds and in general, of the customers' portfolios, started evidencing notorious improvement given the recovery signs of global economy and of the financial markets, to finally close the year with substantial gains and favorable results for our clients.

During this period, markets experienced a transition from high volatilities towards stabilization and recovery, and the investment strategies of each of the managed funds were able to surpass the yield of their reference indexes and reduce their exposure.

In 2010, ASHC will continue with its strategy and proprietary investment profile concentrated on high quality investments with constant returns, to which effect it offers high level risk management focused in securing results in line with the Group's guidelines and strategies.

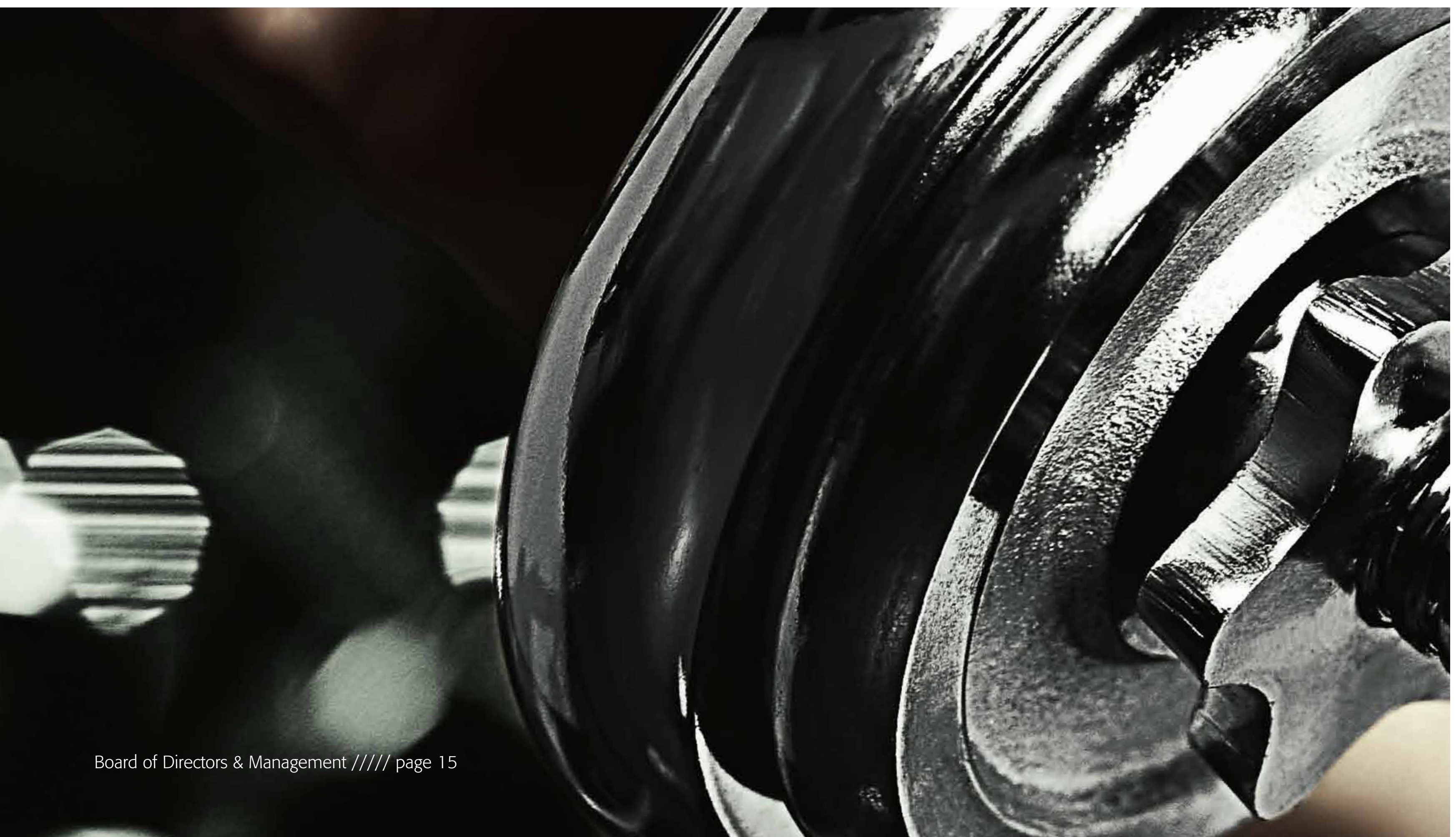
With regard to Asset Management, Atlantic aspires to continue – as identified and recognized by its clients - as the best investments manager in the field, with the best offer of global products to meet the profile of each client, with good returns, risk diversification and control and an efficient financial advisory team.

Consolidated Balance Sheet

	US$	US$
Assets	***2008***	***2009***
Cash and due from banks	584,411,301	482,506,417
Cash and due from banks	26,467	33,995
Deposits with banks (interest earning)	438,384,832	450,692,422
Overnight funds sold	146,000,002	31,780,000
Investments available for sale - net	575,600,155	779,269,341
Investments available for sale ASB	575,600,155	779,269,341
Investment Held To Maturity	12,473,580	7,612,776
Corporate Investment STL	12,473,580	7,612,776
Loans, net	201,405,303	132,262,058
Loans	202,581,103	133,268,516
Less: provision	-1,175,800	-1,006,458
Other Investments (BAP)	61,838,186	61,838,186
Premises and equipment, net	263,346	274,567
Other assets	18,256,057	19,880,266
Total Assets	***1,454,247,928***	***1,483,643,610***
Liabilities and Shareholder's equity		
Deposits	1,270,213,391	1,220,598,368
Demand deposits	162,862,056	215,799,500
Time deposits	1,107,351,335	1,004,798,868
Borrowed funds	15,000,000	9,857,058
ASB	15,000,000	9,857,058
Other liabilities	53,326,255	13,431,170
Total liabilities	***1,338,539,646***	***1,243,886,596***
Shareholder's equity	***115,708,282***	***239,757,014***
Total liabilities and Shareholders equity	***1,454,247,928***	***1,483,643,610***

Consolidated Income Statement

	US$	US$
	2008	***2009***
Interest Income	79,841,899	76,098,961
Dividend Income	22,365,510	22,349,803
Interest Expense	-55,758,535	-46,703,643
Financial Margin	46,448,874	51,745,121
Non-interest Income (expenses)	-15,374,451	20,877,417
Commissions and fee income	8,455,501	6,459,895
Gains on investments	8,221,874	7,343,490
Net gains (losses) on foreign exchange	-322,204	-555,949
Other income / expenses	-31,729,622	7,629,981
Provision for loan losses	-1,000,000	-899,658
Provision for marketable securities	-44,130,149	-9,825,468
Administrative Expenses	-8,383,588	-7,835,963
Salaries and employee benefits	-4,417,620	-3,959,565
General and administrative expenses	-3,799,366	-3,650,487
Depreciation and amortization	-127,551	-129,236
Other expenses	-39,051	-96,676
Net Income	***-22,439,314***	***54,061,449***



Board of Directors & Management

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Benedicto Cigüeñas	Director
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