Audited Consolidated Financial Statements

Atlantic Security Bank

Year ended December 31, 2014
with Independent Auditors' Report

CONTENTS

Building a better
working world

Ernst & Young Ltd.
62 Forum Lane
Camana Bay
P.O. Box 510
Grand Cayman KY1-1106
CAYMAN ISLANDS

Main tel: +1 345 949 8444
Fax: +1 345 949 8529
ey.com

Independent Auditor's Report

The Board of Directors
Atlantic Security Bank

We have audited the accompanying consolidated financial statements of Atlantic Security Bank (the "Bank") which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the directors, as a body. Our audit work has been undertaken so that we might state to the directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the directors as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Atlantic Security Bank as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Ltd.

March 23, 2015

Atlantic Security Bank
Consolidated Statement of Financial Position
December 31, 2014

(Amounts expressed in thousands of US$ dollars)

Notes		**2014 US$ 000**	2013 US$ 000
	ASSETS		
	Cash and cash equivalents		
	Cash	**19**	45
8	Interest - bearing deposits with banks	**88,328**	54,094
8	Overnight placements	**37,852**	45,307
	Total cash and cash equivalents	**126,199**	99,446
5, 8	Other interest - bearing deposits with banks	**6,074**	7,146
6, 8	Risk portfolio, net	**1,731,604**	1,644,563
6, 14	Derivatives financial instruments	**180**	148
	Premises and equipment, net	**1,854**	2,130
8	Accumulated interest receivable	**22,831**	21,809
8	Other assets	**10,364**	9,058
	TOTAL ASSETS	**1,899,106**	1,784,300
	LIABILITIES AND SHAREHOLDER'S EQUITY		
	Liabilities		
	Deposits		
8	Non interest - bearing - demand	**446,557**	440,795
	Interest - bearing		
8	Demand	**88,717**	104,622
8	Time	**1,077,468**	899,238
7, 8	Financing and borrowing funds	**50,848**	124,961
6, 14	Derivatives financial instruments	**218**	285
8	Accumulated interest payable	**10,504**	8,985
8	Other liabilities	**12,774**	5,099
	Total Liabilities	**1,687,086**	1,583,985
12, 14	**Commitments and contingencies**		
	Shareholder's Equity		
11	Share capital	**70,000**	70,000
6	Reserve for valuation of available for sale financial assets	**12,109**	18,954
	Retained earnings	**129,911**	111,361
	Total Shareholder's Equity	**212,020**	200,315
	TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**1,899,106**	1,784,300

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

Raimundo Morales D.
Director

Benedicto Cigüeñas
Director

Atlantic Security Bank
Consolidated Statement of Income
For the year ended
December 31, 2014

(Amounts expressed in thousands of US$ dollars)

Notes		**2014** **US$ 000**	2013 US$ 000
	Interest and dividend income		
	Interest on deposits with banks and overnight placements	**302**	179
	Interest and dividends on investment	**33,211**	31,642
	Interest on loans	**45,247**	44,710
8	Total interest and dividend income	**78,760**	76,531
	Interest expense		
	Interest on deposits	**37,038**	34,982
	Interest on borrowed funds	**996**	1,551
8	Total interest expense	**38,034**	36,533
	Net interest and dividend income	**40,726**	39,998
6	Provision for loan losses	**(13)**	(2)
	Net interest and dividend income after provision for loan losses	**40,713**	39,996
	Non-interest income (expense)		
8	Fees and commission income	**17,057**	15,686
8	Fees and commission expense	**(9,326)**	(7,036)
6	Net realized gains on sales of financial assets	**8,321**	12,667
	Provision for impairment of financial assets	**(2,594)**	-
8, 14	Net (losses)/gains on derivatives financial instruments	**(137)**	586
	Foreign currency translation loss	**(946)**	(1,257)
6	Impairment losses of financial assets reversals	**385**	-
	Others	**14,587**	(113)
	Total non-interest income, net	**27,348**	20,533
	Operating expenses		
8	Salaries and employee benefits	**5,613**	4,962
8	General and administrative expenses	**5,534**	4,628
	Depreciation and amortization	**362**	258
	Total operating expenses	**11,509**	9,848
	Net profit	**56,551**	50,681

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

Atlantic Security Bank
Consolidated Statement of Comprehensive Income
For the year ended
December 31, 2014

(Amounts expressed in thousands of US$ dollars)

Note		**2014** **US$ 000**	2013 US$ 000
	Profit for the year	**56,551**	50,681
	Other comprehensive income		
6	Net loss on available for sale financial assets	**(6,845)**	(22,152)
	Total comprehensive income for the year	**49,706**	28,529

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

Atlantic Security Bank
Consolidated Statement of Changes in Shareholder's Equity
For the year ended
December 31, 2014

(Amounts expressed in thousands of US$ dollars)

Note		*Share Capital US$ 000*	*Reserve Valuation of Available for Sale Financial Assets US$ 000*	*Retained Earnings US$ 000*	*Total Shareholder's Equity US$ 000*
	At January 1, 2013	70,000	41,106	108,680	219,786
6	Net change in fair value of available for sale financial assets	-	(22,152)	-	(22,152)
	Dividends paid	-	-	(48,000)	(48,000)
	Net profit	-	-	50,681	50,681
	At December 31, 2013	70,000	18,954	111,361	200,315
6	**Net change in fair value of available for sale financial assets**	**-**	**(6,845)**	**-**	**(6,845)**
	Dividends paid	**-**	**-**	**(38,000)**	**(38,000)**
	Net profit	**-**	**-**	**56,551**	**56,551**
	At December 31, 2014	**70,000**	**12,109**	**129,911**	**212,020**

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

Atlantic Security Bank
Consolidated Statement of Cash Flows
For the year ended
December 31, 2014

(Amounts expressed in thousands of US$ dollars)

	2014 US$ 000	2013 US$ 000
Operating activities		
Net profit	**56,551**	50,681
Adjustments to reconcile net profit to net cash flows:		
Interest expense	**38,034**	36,533
Interest and dividend income	**(78,760)**	(76,531)
Impairment losses of financial assets	**2,594**	-
Provision for loan losses	**(372)**	2
Gains on sales of financial assets	**(8,321)**	(12,667)
Net loss/(gain) on derivatives financial assets	**137**	(586)
Depreciation and amortization	**362**	258
Operating results before working capital changes	**10,225**	(2,310)
Loans	**(57,346)**	14,777
Other interest-bearing deposits with banks	**1,072**	(6,651)
Deposits	**168,088**	47,811
Net changes in other assets provided and other liabilities	**6,270**	(2,376)
Net cash flows generated from operations	**128,309**	51,251
Interest paid	**(36,515)**	(39,693)
Interest and dividends received	**77,738**	78,195
Net cash flows from operating activities	**169,532**	89,753
Investing activities		
Purchases of financial assets	**(549,165)**	(583,593)
Sales of financial assets	**519,085**	510,871
Sales of reverse repurchase agreement	**(500)**	7,500
Acquisition of premises and equipment	**(86)**	(2,059)
Net cash flows used in investing activities	**(30,666)**	(67,281)
Financing activities		
Payment of borrowing funds	**(74,113)**	(11,285)
Dividends paid	**(38,000)**	(48,000)
Net cash flows used in financing activities	**(112,113)**	(59,285)
Net increase (decrease) in cash and cash equivalents	**26,753**	(36,813)
Cash and cash equivalents at January 1	**99,446**	136,259
Cash and cash equivalents at December 31	**126,199**	99,446

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

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.

ASB Trust Company, Ltd., is a controlled subsidiary of Atlantic Security Bank (ASB) incorporated on March 31st, 2011. The subsidiary was created in order to establish a proper corporate vehicle to develop trust–related products and services for ASB's clients. The Company has not been operating since inception.

Laurentian Corporate Services, is a controlled subsidiary of Atlantic Security Bank (ASB) incorporated on February 17, 2011, since its incorporation has not been operating. This Company also was created in order to establish services between ASB Trust Company Ltd. and ASB.

The consolidated financial statements were approved for issuance according to resolution of the Board of Directors of Atlantic Security Bank on March 23, 2015.

2. Statement of Compliance

The consolidated 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 Consolidated Financial Statements

3.1 Basis of preparation

The consolidated financial statements have been prepared on an historical cost basis, except for the measurement at fair value of investment held for trading, the derivative financial instruments and available-for-sale financial assets. The carrying values of such recognized 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 consolidated financial statements are prepared in United States of America dollars (US$), the functional currency of the Bank and all values are rounded to the nearest thousand (US$000) except when otherwise indicated. The Bank presents its consolidated statements of financial position in order of liquidity.

3.2 Basis of consolidation

The consolidated financial statements cover the accounts of Atlantic Security Bank and its wholly owned subsidiaries (the Bank). All significant intercompany balance and transactions have been eliminated in consolidation.

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries at 31 December 2014. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Bank controls an investee if and only if the Bank has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Bank's voting rights and potential voting rights

3. Basis of Preparation of Consolidated Financial Statements

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Bank and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Bank's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Bank are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognizes the related assets, liabilities, no controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3.3 Changes in accounting policies and disclosures

The accounting policies adopted by the Bank to prepare its consolidated financial statements as of 31 December 2014 are consistent with those used to prepare its consolidated financial statements as of 31 December 2013.

The Bank adopted for the first time the following amendments to standards and interpretations, which are effective for annual periods beginning on or after 1 January 2014. These amendments and interpretations have no material impact on the Bank's consolidated financial statements as of 31 December 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively.

3. Basis of Preparation of Consolidated Financial Statements

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

IFRIC 21 Levies
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash generating units for which impairment loss has been recognized or reversed during the period.

Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

Annual Improvements 2011-2013 Cycle
In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity’s first IFRS financial statements.

A. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, as of 31 December 2014 are disclosed below. The Bank intends to adopt these standards, if applicable to its activities, when they become effective. The new standards or amendments are not expected to have a material impact on the Bank’s consolidated financial statements.

3. Basis of Preparation of Consolidated Financial Statements

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

3. Basis of Preparation of Consolidated Financial Statements

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

3. Basis of Preparation of Consolidated Financial Statements

Annual improvements from the 2010-2012 and 2011-2013 Cycles
The following list of improvements to standards is effective from 1 July 2014:

- *IFRS 2 Share-based Payment.* This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

- *IFRS 3 Business Combinations.* The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

- *IFRS 3 Business Combinations.* The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that: a) joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and b) this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- *IFRS 8 Operating Segments.* The amendments are applied retrospectively and clarifies that: a) an entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar"; and b) the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- *IFRS 13 Fair Value Measurement.* The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets.* The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. IAS 24 Related Party Disclosures.

- *IAS 24 Related Party Disclosures.* The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

3. Basis of Preparation of Consolidated Financial Statements

- *IAS 40 Investment Property*. The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

3.4 Significant accounting judgments, estimates and assumptions

Judgment

The preparation of the consolidated 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 consolidated 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.

The Bank's Management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer–dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 6 and Note 10.

3. Basis of Preparation of Consolidated Financial Statements

Impairment of financial assets

The Bank periodically reviews its individually significant loans and investments, in order to assess whether an impairment loss should be recorded in the consolidated 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 impairment loss. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in futures changes to the provision.

In addition to specific provision against individually significant loans and advances, the Bank also makes a collective impairment provision which, although not identified as requiring a specific provision, 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.

The Bank also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgment. In marking this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investments is less than its cost.

The impairment loss on available for sale investments is disclosed in more detail in Note 6.

Contingencies

The Bank makes estimates on legal contingencies arising out of existing processes where the Bank acted as claimant or defendant. The provision will be recorded only if can be demonstrate that a high probability that an event of loss or gain can occur, for estimates the criteria were used as presented by the legal team in charge of the case and common consensus among management, legal and finance team with the authorization of the Board of Directors.

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 6 and Note 10 to the consolidated financial statements.

4. Summary of Significant Accounting Policies

Cash and cash equivalents

For presentation purposes, in its consolidated statement 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, 2014 and 2013, cash and cash equivalents are represented by deposits with banks and overnight placements.

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 recognized and measured in the consolidated financial statements.

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

- Designated upon initial recognition. 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 consolidated statement of financial position. Fair value changes on AFS assets are recognized directly in equity, through the consolidated statement of comprehensive income, except for interest on AFS assets (which is recognized 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 recognized in equity is recognized in profit or loss when an available-for-sale financial asset is derecognized.

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 amortized cost using the effective interest rate method.

4. Summary of Significant Accounting Policies (continued)

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's monthly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral.

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 amortized 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 recognizes, in compliance to IAS 39, two classes of financial liabilities:

- Financial liabilities at fair value through profit or loss.
- Other financial liabilities measured at amortized cost using the effective interest rate 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 or loss, any directly attributable incremental costs of acquisition or issue of the financial assets or liabilities. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated statement of income. A regular way purchase or sale of financial assets and liabilities is recognized and derecognized using either trade date or settlement date accounting. The Bank has adopted the method of trade accounting, i.e., the date that the Bank commits to purchase or sell, 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 recognized on the consolidated statement of financial position, including all derivatives as described in 'Derivative financial instruments' section.

4. Summary of Significant Accounting Policies (continued)

Measurement subsequent to initial recognition

Subsequently, the Bank measures 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 have been measured at amortized cost using the effective interest rate method.

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 available-for-sale financial assets 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. 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. 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 net asset value review in order to determine the reported balance is appropriate or it may be necessary to make adjustments.

After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the available for sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available for sale reserve to the consolidated statement of income in net realized gain on sales of financial assets. Interest earned whilst holding available for sale financial assets is reported as interest income using the effective interest rate method.

Amortized cost is calculated using the effective interest rate method (EIR). 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.

4. Summary of Significant Accounting Policies (continued)

The Bank evaluates whether the ability and intention to sell an available for sale financial assets in the near term is still appropriate. When, in rare circumstances, the Bank is unable to trade these financial assets due to inactive markets, the Bank may elect to reclassify these financial assets if the Management has the ability and intention to hold the assets for foreseeable future or until maturity. The fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Derecognition

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 recognized in equity are included in the consolidated statement of income 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 recognized in profit or loss.

Impairment of financial assets

The Bank assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Bank first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

4. Summary of Significant Accounting Policies (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of income.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income – is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in the consolidated statement of comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, the duration, and the extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of financial margin. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

4. Summary of Significant Accounting Policies (continued)

Financing and borrowings

After initial recognition, interest bearing financing and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and others cost that the Bank incurs in connection with the borrowing of funds.

Interest income and expense

Interest income and expense are recognized in the consolidated statement of income for all interest-bearing instruments on an accrual basis applying the effective yield method (Effective Interest Rate EIR) to the actual purchase price. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate to the net carrying amount of the financial asset or liability. Interest income includes coupons earned on fixed income investment and accredited or discount on debt instruments. When a loan becomes of doubtful collection, it is written down to recoverable amount 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.

Dividends Income

Revenue is recognized when the Bank right to receive the payment is established, which is generally when the issuers announce or approved the dividend.

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.

Foreign currency operations

The Bank's transactions are performed mostly in U.S. Dollars, its functional and reporting currency. 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 are measured at the date of the consolidated statement of financial position and liabilities denominated in foreign currencies are recognized in the consolidated statement income.

4. Summary of Significant Accounting Policies (continued)

Translation differences on debt securities and other financial assets measured at fair value are included as foreign translation income in the consolidated 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 other comprehensive income until the disposal of net investment, at which time they are recognized in the consolidated statement of income.

Derivative financial instruments

The Bank makes use of derivative financial instruments, such as options, short selling, futures, forward foreign currency contracts, interest rate swaps and credit default swaps 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 as trading purposes.

Derivative financial instrument operations are recognized 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 consolidated statement of income.

Cash dividends

The Bank recognizes a liability to make cash distributions to equity holder when the distribution is authorized and the distribution is no longer at the discretion of the Bank. According to Cayman Island regulation the Bank has to request first the approval of Cayman Island Monetary Authority and then the authorization of the shareholders general meeting. When it is approved by the shareholders a corresponding amount is recognized directly in equity.

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	10 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.

4. Summary of Significant Accounting Policies (continued)

Intangible asset

Costs associated with maintaining computer software programs are recognized 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 recognized as intangible asset.

Expenditures which enhance or extend the performance of computer software programmers beyond their original specifications are recognized as a capital improvement 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, 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 consolidated 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.

5. Other Interest – Bearing Deposits with Banks

	December 31	
	2014	2013
	US$ 000	US$ 000
Banco de Crédito and subsidiaries		
(a subsidiary of Credicorp Ltd.)	**-**	145
Other financial institutions	**6,074**	7,001
	6,074	7,146

6. Risk Portfolio, Net

	December 31	
	2014	2013
	US$ 000	US$ 000
Reverse repurchased agreement	**500**	-
Available-for-sale financial assets, net	**851,655**	826,221
Loan portfolio, net	**844,064**	786,346
Held for trading financial assets	**35,385**	31,996
	1,731,604	1,644,563

Reverse repurchase agreement

At December 31 2014, the Bank held investments in securities under reverse repurchase agreements for US$500,000 (2013 the Bank had not Reverse repurchase agreement), maturing through January 5, 2015, with an annual average interest rate of 0.17%.

The Bank purchased securities under agreements to resell (Reverse Repos) mostly in a very short term basis. The Bank may sell any securities purchased under agreements to resell, but has an obligation to return the securities and the counterparty retains substantially all the risks and rewards of ownership. Consequently, the securities are not recognized by the Bank, which instead record a separate asset for any possible cash collateral provided. The Bank report the amount lent as a financial assets held for trading.

Financial Assets

	2014			
	Cost US$000	Gross unrealized gain US$000	Gross unrealized loss US$000	Fair value US$000
Held for Trading				
Equities Securities	**-**	**-**	**-**	**35,385**
Available for Sale				
Federal Agencies notes - U.S.	**1,113**	**65**	**-**	**1,178**
U.S. Corporate bonds	**365,168**	**5,834**	**(7,969)**	**363,033**
Non - U.S. Corporate bonds	**379,500**	**2,842**	**(6,256)**	**376,086**
Equity Securities (including funds)	**72,425**	**9,031**	**(8,253)**	**73,203**
Sovereign debt	**38,147**	**121**	**(113)**	**38,155**
Subtotal	**856,353**	**17,893**	**(22,591)**	**851,655**
Less:				
Provision for impairment of financial assets	**(16,808)**	**-**	**16,808**	**-**
	839,545	**17,893**	**(5,783)**	**887,040**

6. Risk Portfolio, Net (continued)

	2013			
	Cost US$000	Gross unrealized gain US$000	Gross unrealized loss US$000	Fair value US$000
Held for Trading				
Equities Securities	-	-	-	31,996
Available for Sale				
Federal Agencies notes - U.S.	3,177	97	-	3,274
U.S. Corporate bonds	352,505	9,413	(3,411)	358,507
Non - U.S. Corporate bonds	361,986	5,149	(6,772)	360,364
Equity Securities (including funds)	63,025	6,466	(6,839)	62,652
Sovereign debt	41,564	113	(253)	41,424
Subtotal	822,257	21,238	(17,275)	826,221
Less:				
Provision for impairment of financial assets	(14,991)	-	14,991	-
	807,266	21,238	(2,284)	858,217

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 Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: valuation techniques for which the lowest input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

6. Risk Portfolio, Net (continued)

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	US$000	US$000	US$000	US$000
Financial Assets				
Derivatives Held for Trading				
Interest rate swaps	-	10	-	10
Forward	-	59	-	59
Credit default swaps	-	111	-	111
Total	-	180	-	180
Held for Trading	35,385	-	-	35,385
Available for Sale				
Debt securities	765,373	6,495	6,211	778,079
Equity securities (including mutual funds)	37,080	763	35,733	73,576
Total	802,453	7,258	41,944	851,655
Total Financial Assets	837,838	7,438	41,944	887,220
Financial Liabilities				
Derivatives Held for Trading				
Forward foreign currency contracts - sale	-	26	-	26
Interes rate swaps	-	36	-	36
Futures	6	-	-	6
Credit default swaps	-	150	-	150
Total Financial Liabilities	6	212	-	218

The following table shows a reconciliation of the opening and closing amount of level 3 financial asset which are recorded at fair value:

	At January 1, 2014 US$000	Total gains/ (losses) recorded in profit or loss US$000	Total gains/ (losses) recorded in equity US$000	Purchases US$000	Sale US$000	Transfers from level 2 to level 3 US$000	At December 31, 2014 US$000
Available for Sale							
Debt securities	6,896	-	-	711	(1,396)	-	6,211
Equity securities (including mutual funds)	37,232	-	773	11,360	(13,632)	-	35,733
Total	44,128	-	773	12,071	(15,028)	-	41,944

6. Risk Portfolio, Net (continued)

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
	US$000	US$000	US$000	US$000
Financial Assets				
Derivatives Held for Trading				
Interest rate swaps	-	6	-	6
Futures	66	-	-	66
Credit default swaps	-	76	-	76
Total	66	82	-	148
Held for Trading	31,996	-	-	31,996
Available for Sale				
Debt securities	747,529	9,144	6,896	763,569
Equity securities (including mutual funds)	25,420	-	37,232	62,652
Total	772,949	9,144	44,128	826,221
Total Financial Assets	805,011	9,226	44,128	858,365
Financial Liabilities				
Derivatives Held for Trading				
Forward foreign currency contracts - sale	-	8	-	8
Interes rate swaps	-	265	-	265
Credit default swaps	-	12	-	12
Total Financial Liabilities	-	285	-	285

The following table shows a reconciliation of the opening and closing amount of level 3 financial asset which are recorded at fair value:

	At January 1, 2013 US$000	Total gains/ (losses) recorded in profit or loss US$000	Total gains/ (losses) recorded in equity US$000	Purchases US$000	Sale US$000	Transfers from level 2 to level 3 US$000	At December 31, 2013 US$000
Available for Sale							
Debt securities	15,369	-	109	108	(8,690)	-	6,896
Equity securities (including mutual funds)	- 29,253	-	17	26,348	(18,386)	-	37,232
Total	44,622	-	126	26,456	(27,076)	-	44,128

6. Risk Portfolio, Net (continued)

The Level 1 category includes financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Level 2 category are financial instruments that are measured based in observed markets factors. This category includes instruments valued using: quoted prices for similar instruments, either in active or less active markets and other valuation techniques (models) where all significant inputs are directly or indirectly observable based on market data.

The Level 3 investments are those that are measured using valuation techniques based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The Bank use consensus pricing from brokers, from industry publications and other industry materials that includes unobservable inputs (those inputs for which there is little or noncurrent observable data available). The fair value is estimated using alternative assumption as follow: considering a possible change on interest rate within a range between 75 – 100 basis points for corporate debts, for equity securities (including hedge funds) the fair value were estimates using discounted cash flow, discount rate and weighted average cost of capital and the net asset value which depends on the underlying assets in their portfolios. If the assets are quoted bonds, shares or derivatives, fair value is based on market prices at the reporting date. The estimated prices and the used by the brokers have revealed that these prices have resulting very close to the fair value or execution value in a current transaction between willing parties.

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

	2014	2013
	US$ 000	US$ 000
Net realized gains on sales of financial assets	**8,321**	12,667

6. Risk Portfolio, Net (continued)

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

	2014	2013
	US$ 000	US$ 000
Balance at January 1st	**858,217**	794,980
Purchases	**549,165**	583,593
Sales and written-off, net	**(513,498)**	(498,204)
(Loss) from changes in fair value	**(6,844)**	(22,152)
Balance at December 31st	**887,040**	858,217

The table below presents an analysis of the financial investments by rating agency designation at December 31, based on Standard & Poor's rating or its equivalent:

	2014					
	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**
Held for trading						
Unrated	-	-	-	-	**35,385**	**35,385**
Available for sale						
AAA	-	-	**2,036**	-	-	**2,036**
AA- to AA+	-	**3,969**	**7,224**	**1,057**	-	**12,249**
A- to A+	-	**67,886**	**50,363**	-	-	**118,249**
BBB- to BBB+	-	**96,911**	**214,028**	**5,727**	-	**316,666**
Lower than BBB-	-	**193,986**	**91,626**	**1,457**	**390**	**287,459**
Unrated	**1,178**	**282**	**10,809**	**29,914**	**72,813**	**114,996**
	1,178	**363,033**	**376,086**	**38,155**	**73,203**	**851,655**
Total	**1,178**	**363,033**	**376,086**	**38,155**	**108,588**	**887,040**

6. Risk Portfolio, Net (continued)

	2013					
	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
Held for trading						
Unrated	-	-	-	-	31,996	31,996
Available for sale						
AAA	-	-	2,061	-	-	2,061
AA- to AA+	2,540	4,589	12,545	2,034	-	21,708
A- to A+	-	74,746	57,111	-	-	131,857
BBB- to BBB+	-	128,313	199,348	8,182	-	335,843
Lower than BBB-	-	148,461	77,468	5,395	373	231,697
Unrated	734	2,397	11,831	25,813	62,280	103,055
	3,274	358,506	360,364	41,424	62,653	826,221
Total	3,274	358,506	360,364	41,424	94,649	858,217

Loan portfolio, net

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

	December 31	
	2014	2013
	US$ 000	US$ 000
Corporate:		
Manufacturing	**106,523**	110,877
Commercial	**267,355**	217,214
Financial services	**39,162**	56,888
Agriculture	**89,962**	73,803
Real estate and construction	**169,366**	145,705
Mining and other related activities	**14,786**	41,835
Transportation and communications	**88,027**	73,048
Education, health and other services	**13,009**	10,001
Fishing	**43,243**	45,349
	831,433	774,720
Other activity	**12,887**	12,254
	844,320	786,974
Less: provision for loan losses	**(256)**	(628)
	844,064	786,346

6. Risk Portfolio, Net (continued)

As of December 31, 2014 there are loans guaranteed with cash amounted to US$612,074 (2013 – US$627,409). These loans were matched in amount and maturity.

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

	December 31	
	2014	2013
	US$ 000	US$ 000
Fixed interest rates	**639,987**	653,111
Floating interest rates	**204,333**	133,863
	844,320	786,974

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

	2014				
		Loan Collaterals			
	Carrying value US$000	**U.S. securities and real estate US$000**	**U.S. dollar deposits US$000**	**Other collateral US$000**	**Unsecured portion US$000**
Chile	**1,850**	**-**	**1,850**	**-**	**-**
United States of America	**4,700**	**-**	**-**	**1,500**	**3,200**
Spain	**799**	**-**	**-**	**-**	**799**
British Virgin Islands	**11,591**	**2,983**	**150**	**8,458**	**-**
Venezuela	**961**	**-**	**-**	**961**	**-**
Panama	**15,479**	**657**	**1,584**	**13,238**	**-**
Peru	**800,920**	**38,101**	**608,290**	**139,946**	**14,583**
Cayman Islands	**6,496**	**2,498**	**-**	**3,998**	**-**
Singapur	**1,174**	**-**	**-**	**1,174**	**-**
Suiza	**150**	**-**	**-**	**150**	**-**
Canada	**200**	**-**	**200**	**-**	**-**
	844,320	**44,239**	**612,074**	**169,425**	**18,582**

6. Risk Portfolio, Net (continued)

	2013 Loan Collaterals				
	Carrying value US$000	U.S. securities and real estate US$000	U.S. dollar deposits US$000	Other collateral US$000	Unsecured portion US$000
Chile	1,850	-	1,850	-	-
United States of America	5,191	-	-	1,500	3,691
Bolivia	18	-	18	-	-
Spain	1,654	-	-	-	1,654
British Virgin Islands	10,455	3,432	35	6,455	533
Venezuela	859	-	-	859	-
Panama	7,386	668	2,984	3,734	-
Peru	751,497	23,107	625,335	86,255	16,800
Cayman Islands	7,841	50	-	7,791	-
Colombia	23	-	-	23	-
Canada	200	-	200	-	-
	786,974	27,257	630,422	106,617	22,678

Provision

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

	2014		
	Provision for Impairment of Financial Assets **US$000**	***Provision for Loan Losses*** **US$000**	***Total*** **US$000**
Balance at January 1st	**14,991**	**628**	**15,619**
Increase	**2,594**	**13**	**2,607**
Write-off	**(777)**	**-**	**(777)**
Reversals	**-**	**(385)**	**(385)**
Balance at December 31	**16,808**	**256**	**17,064**

6. Risk Portfolio, Net (continued)

	2013		
	Provision for Impairment of Financial Assets US$000	*Provision for Loan Losses* US$000	*Total* US$000
Balance at January 1st	15,598	626	16,224
Increase	-	2	2
Write-off	(607)	-	(607)
Balance at December 31	14,991	628	15,619

7. Financing and Borrowing Funds

As of December 31, 2014, the Bank maintained financing and borrowing funds through repurchased agreements which amounted US$45,458 (2013 – US$74,966) and short term financing as working capital US$5,390 (2013 – US$49,995).

The following table details other borrowed funds:

	December 31	
	2014 **US$ 000**	2013 US$ 000
Amount at the end of the year	**50,848**	124,961
Average during the year	**81,359**	138,088
Maximum at any month end	**115,090**	140,888

7. Financing and Borrowing Funds

The breakdown of financing and borrowing funds is as follows:

	December 31					
Repurcharsed Agreements	**Interest rate %**	**Maturity**	**2014 US$ 000**	Interest rate %	Maturity	**2013** US$ 000
	1.2	10-Feb-15	11,241	1.1	03-Feb-14	6,508
	1.3	23-Jun-15	4,362	1.2	03-Feb-14	3,021
	1.2	02-Mar-15	29,855	1.1	18-Feb-14	9,080
				1.2	28-Feb-14	23,512
				1.4	14-Mar-14	834
				1.1	24-Mar-14	4,543
				1.3	24-Mar-14	5,422
				1.4	16-Jun-14	4,048
				1.2	24-Jun-14	2,548
				1.4	12-Aug-14	15,450
			45,458			74,966
Working Capital						
	1.4	02-Jan-15	400	1.1	02-Jan-14	5
	1.0	20-Jan-15	4,990	1.1	28-Feb-14	5,000
				1.5	28-Jan-14	5,000
				1.5	18-Mar-14	5,000
				0.9	03-Jan-14	4,990
				0.5	03-Jan-14	10,000
				0.5	03-Jan-14	20,000
			5,390			49,995
Total financing and borrowing funds			**50,848**			124,961

8. 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			
	2014		2013	
	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
Statement of financial position				
Assets:				
Interest-bearing deposits with banks	**-**	**2,485**	-	1,851
Other interest-bearing deposits with banks	**-**	**-**	-	145
Overnight placements	**-**	**12,000**	-	37,000
Risk portfolio:				
Investments in financial instruments, mutual funds managed by the Bank and other related parties	**7,413**	**-**	11,658	-
Loans	**27,177**	**10,970**	31,246	33,915
Accumulated interest receivable	**593**	**102**	381	570
Other assets	**837**	**291**	631	56
Liabilities:				
Deposits (demand and time)	**396,294**	**10,906**	211,493	4,848
Financing and borrowings funds	**-**	**-**	-	30,000
Accumulated interest payable	**1,367**	**27**	877	2
Other liabilities	**-**	**1,536**	175	1,133

For the years ended December 31, 2014 and 2013, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties and affiliates. The loans that counted on tangible guarantees as time deposits, pledge over financial assets amounted to US$56,450 in 2014 (2013: US$15,976).

As of December 31, 2014 the Bank maintains transactions with the Parent Company such as demand deposit amounted US$1,084 (2013: US$1,256).

The Bank has guarantee revolving credit line loans with Banco de Crédito de Perú, S. A. amounted US$10,965 (2013: US$33,915), 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.

8. Balances and Transactions with Related Parties (continued)

	December 31			
	2014		2013	
	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 sheet:				
Forward currency contracts	**-**	**3,000**	-	3,000
Commitments for letter of credit	**-**	**29,033**	-	25,297
Investment on behalf of customers	**751,563**	**-**	387,322	-
Statements of income:				
Interest and dividend income	**583**	**1,269**	392	2,411
Interest expense	**3,438**	**136**	2,740	95
Losses on derivative financial instruments	-	**101**	-	119
Fee and commission income	**4,742**	**1,528**	3,749	1,464
Fee and commission expense	**-**	**7,064**	-	5,184
Salaries and benefit	**3,040**	**-**	2,867	-
General and administrative expenses	-	**97**	-	95

9. 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 arises 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 Risk 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.

9. 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 Risk 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 by the Risk Manager, Operations Manager, Risk Committee and Credit Committee. Limits on levels of credit by product and country are reviewed and approved quarterly by the Board of Directors.

Financial assets which potentially expose the Bank to concentrations of credit risk consist primarily of cash and cash equivalents, interest-bearing deposits with banks, financial 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 financial 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.

9. 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 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.

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.

9. Risk Management (continued)

2014

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	**116,180**	**10,000**	**-**	**-**	**-**	**19**	**126,199**
Due from banks	**-**	**3,000**	**3,074**	**-**	**-**	**-**	**6,074**
Financial assets	**15,363**	**34,007**	**16,326**	**456,250**	**262,307**	**103,287**	**887,540**
Loans	**98,157**	**111,227**	**167,157**	**399,619**	**67,904**	**-**	**844,064**
	229,700	**158,234**	**186,557**	**855,869**	**330,211**	**103,306**	**1,863,877**
Liabilities							
Deposits:							
Non-interest bearing	**-**	**-**	**-**	**-**	**-**	**446,557**	**446,557**
Interest bearing	**133,613**	**259,711**	**196,748**	**502,351**	**73,762**	**-**	**1,166,185**
Financing and borrowings funds	**5,391**	**41,095**	**4,362**	**-**	**-**	**-**	**50,848**
	139,004	**300,806**	**201,110**	**502,351**	**73,762**	**446,557**	**1,663,590**
Total interest sensitivity gap	**90,696**	**(142,572)**	**(14,553)**	**353,518**	**256,449**		

2013

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	89,446	10,000	-	-	-	-	99,446
Due from banks	-	214	6,932	-	-	-	7,146
Financial assets	15,677	53,092	68,919	423,455	198,414	98,660	858,217
Loans	102,418	95,775	503,005	35,148	50,000	-	786,346
	207,541	159,081	578,856	458,603	248,414	98,660	1,751,155
Liabilities							
Deposits:							
Non-interest bearing	-	-	-	-	-	440,795	440,795
Interest bearing	252,030	116,904	546,176	38,750	50,000	-	1,003,860
Financing and borrowings funds	39,996	62,919	22,046	-	-	-	124,961
	292,026	179,823	568,222	38,750	50,000	440,795	1,569,616
Total interest sensitivity gap	(84,485)	(20,742)	10,634	419,853	198,414		

9. Risk Management (continued)

The sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's consolidated statement of income were demonstrates as follows:

Financial Margin Sensitivity	**2014** Sensitivity Increase 100 bps	**2014** Sensitivity Decrease 100 bps	2013 Sensitivity Increase 100 bps	2013 Sensitivity Decrease 100 bps
	US$000	**US$000**	US$000	US$000
Assets:				
Due from banks	**(1,013)**	**89**	(895)	48
Loans	**(3,868)**	**3,851**	(3,746)	3,707
Financial assets	**(585)**	**487**	(826)	705
	(5,466)	**4,427**	(5,467)	4,460
Liability				
Deposits	**6,038**	**(4,101)**	5,564	(3,294)
	6,038	**(4,101)**	5,564	(3,294)
Total interest sensivity gap	**572**	**326**	97	1,167

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

	2014 % End of year	***2014 %*** During the year	*2013 %* End of year	*2013 %* During the year
Assets:				
Interest-bearing deposits with banks	**0.22**	**0.30**	0.26	0.23
Financial assets	**3.55**	**3.67**	3.06	3.96
Loans	**5.62**	**5.57**	5.72	5.64
Liabilities				
Deposits	**3.29**	**3.25**	3.60	3.41
Financing and borrowing funds	**1.20**	**1.13**	1.21	1.14

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.

9. Risk Management (continued)

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, 2014 and 2013, the Bank holds a substantial amount of securities which Management considers as 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.

	2014					
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**	**Total US$000**
Cash and cash equivalents	**116,199**	**10,000**	**-**	**-**	**-**	**126,199**
Due from banks	**-**	**3,000**	**3,074**	**-**	**-**	**6,074**
Financial assets	**43,627**	**80,723**	**21,312**	**463,797**	**262,241**	**871,700**
Loans	**73,342**	**98,142**	**569,427**	**35,249**	**67,904**	**844,064**
	233,168	**191,865**	**593,813**	**499,046**	**330,145**	**1,848,037**
Liabilities						
Deposits:						
Non-interest bearing	**155,351**	**21,397**	**56,122**	**157,140**	**56,547**	**446,557**
Interest bearing	**133,622**	**259,711**	**636,523**	**67,095**	**69,234**	**1,166,185**
Financing and borrowing funds	**5,391**	**41,095**	**4,362**	**-**	**-**	**50,848**
	294,364	**322,203**	**697,007**	**224,235**	**125,781**	**1,663,590**
Net liquidity gap	**(61,196)**	**(130,338)**	**(103,194)**	**274,811**	**204,364**	**184,447**

9. Risk Management (continued)

	2013					
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	Total US$000
Cash and cash equivalents	89,446	10,000	-	-	-	99,446
Due from banks	-	214	6,932	-	-	7,146
Financial assets	39,303	89,746	77,483	451,306	207,527	865,365
Loans	73,236	83,295	527,896	51,937	49,982	786,346
	201,985	183,255	612,311	503,243	257,509	1,758,303
Liabilities						
Deposits:						
Non-interest bearing	176,318	57,303	-	207,174	-	440,795
Interest bearing	189,256	130,505	546,175	87,924	50,000	1,003,860
Financing and borrowing funds	39,996	62,919	22,046	-	-	124,961
	405,570	250,727	568,221	295,098	50,000	1,569,616
Net liquidity gap	(203,585)	(67,472)	44,090	208,145	207,509	188,687

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.

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, net with its risk exposure in the consolidated statements of financial position assets, off-balance sheet commitments positions at a weighted amount including an additional scope about risk sensitive approaches to credit risk, market risk and operational risk capital requirements. 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 consolidated statements of financial position structure remained unchanged during specific periods of time and market volatility affects its risk exposure.

9. Risk Management (continued)

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 consolidated financial statements. Under capital adequacy guidelines used by CIMA and prescribed under The Groups 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.

The Cayman Island Monetary Authority (CIMA) had implemented the Basel II Framework, which describes a comprehensive measure and minimum standard for capital adequacy that seeks to improve on the existing Basel I rules by aligning regulatory capital requirements more closely to the underlying risks that banks face. The implementation of the Basel II accord, which consists of 3 'Pillars', go well beyond the mechanistic calculation of minimum capital levels set by Basel I, allowing Banks to use their own models to calculate regulatory capital while seeking to ensure that Banks establish a culture with risk management.

CIMA proposed to apply the Basel II Framework in two phases leveraging a practical measured approach. The first phase of the implementation was completed on December 31, 2011 and since then has been implemented in a consistent basis. It's comprised the following Pillar 1 approaches:

- Credit Risk – Standardized
- Market Risk – Standardized
- Operational Risk – Basic Indicator Approach and The Standardized Approach

The Pillar 1 provides a methodology for determining minimum capital requirements similar to Basel I, under Basel I this calculation related only to credit risk, with a calculation for market risk, Basel II adds a further charge to allow for operational risk.

The approaches used by the Bank to calculate its capital requirements covers the credit risk and operational 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, the credit risk weighting has been determined by the external credit ratings assigned to the borrower and the operational risk has been determined using the standardized approach method. The Capital Ratio is determined dividing eligible regulatory capital by total risk-weighted assets.

9. Risk Management (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:

Statements of financial positions and off-balance sheet positions (Net of provisions)	*Base Amount US$000*	*Risk Weighted Assets US$000*
Credit Risk		
Cash items	19	-
Claims on Sovereigns	36,662	3,406
Claims on Non Central Government Public Sector Entities (PSEs)	10,149	10,049
Claims on Multilateral Development Banks (MDBs)	1,079	216
Claims on Banks and Security Firms	316,282	134,202
Claims on Corporates and Security Firms	559,086	581,833
Claims on Retail Portfolio	844,821	136,179
Claims secured on Higher Risk Categories & Other Assets	111,976	111,976
Total Balance Sheet items	**1,880,074**	**977,861**
Off-Balance sheets items	58,790	22,077
Counterparty Credit Risk	8,798	34
Securitizations	16,334	10,891
Total Credit Risk	**1,963,996**	**1,010,863**
Operational Risk		
Standardized Approach		**138,015**
Market Risk		**76,589**
Total Risk Weighted Assets		**1,225,467**
Capital Constituents		
Net Tier 1 and Net Tier 2 Capital		**191,591**
Capital Adecuacy Ratio as of December 31, 2014		**15.63%**
Capital Adecuacy Ratio as of December 31, 2013		15.68%
Minimum capital adequacy regulatory ratio		**12%**

The Bank only applies the market risk approach for the trading investment position.

9. Risk Management (continued)

The second phase of the CIMA Basel II implementation will be considered for implementation after March 2013. It will include considering the implementation of advanced approaches, specifically Pillar 1 – Credit Risk – Advanced Approaches (IRB), Operations Risk – Advanced Measurement Approaches (AMA) and Market Risk – Internal Risk Management Models. However until December 2014, the implementation of second phase remains pending.

10. 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.

- *Financial assets and derivative,* which includes investments held for trading, available-for-sale-securities and financial derivatives*:* 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 statements of financial position 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. (see Note 6)

- *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. The fair value those long-term fixed rated and variable rate loans are determined by the Bank using discounted cash flows method using discount rate that reflect the market rate available for transaction with similar characteristic in amount, term and risk.

- *Deposit, financings 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. Fair Value of Financial Instruments (continued)

	2014		2013	
Assets	**Carrying Value US$000**	**Fair Value US$000**	Carrying Value US$000	Fair Value US$000
Cash and cash equivalents	**126,199**	**126,199**	99,446	99,446
Due from banks	**6,074**	**6,074**	7,146	7,146
Financial assets	**887,540**	**887,540**	858,365	858,365
Loans, net	**844,064**	**844,071**	786,346	786,304
	1,863,877	**1,863,884**	1,751,303	1,751,261
Liabilities				
Deposits:				
Non-interest bearing	**446,557**	**447,557**	440,795	440,795
Interest bearing	**1,166,185**	**1,166,185**	1,003,860	1,003,860
Financing and borrowing funds	**50,848**	**50,848**	124,961	124,961
	1,663,590	**1,664,590**	1,569,616	1,569,616

The following table analyzes the fair values of financial instruments not measured at fair value in books, by the level of fair value hierarchy in which have been classified:

Fair Value	**2014**	**Level 1**	**Level 2**	**Level 3**
	US$000	**US$000**	**US$000**	**US$000**
Assets				
Cash and cash equivalents	**126,199**	**126,199**	**-**	**-**
Due from banks	**6,074**	**6,074**	**-**	**-**
Loans, net	**844,071**	**-**	**844,071**	**-**
	976,344	**132,273**	**844,071**	**-**
Liabilities				
Deposits:				
Non-interest bearing	**446,557**	**446,557**	**-**	**-**
Interest bearing	**1,166,185**	**88,717**	**1,077,468**	**-**
Financing and borrowing funds	**50,848**	**50,848**	**-**	**-**
	1,663,590	**586,122**	**1,077,468**	**-**

10. Fair Value of Financial Instruments (continued)

Fair Value	2013	Level 1	Level 2	Level 3
	US$000	US$000	US$000	US$000
Assets				
Cash and cash equivalents	99,446	99,446	-	-
Due from banks	7,146	7,146	-	-
Loans, net	786,304	-	786,304	-
	892,896	106,592	786,304	-
Liabilities				
Deposits:				
Non-interest bearing	440,795	440,795	-	-
Interest bearing	1,003,860	104,622	899,238	-
Financing and borrowing funds	124,961	124,961	-	-
	1,569,616	670,378	899,238	-

The Management assessed that cash and cash equivalent, due from banks, non-interest bearing deposits, interest bearing deposits and borrowed funds approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair values of loans and terms interest-bearing deposits are determined by using discounted cash flows (DCF) method using discount rate that reflects the market rates available for transactions with similar characteristics in amount, terms and risk at the end of the reporting period. The nonperformance risk at closing balance of December 31, 2014 was assessed to be insignificant.

11. Share Capital

The number of authorized, issued and outstanding ordinary shares of the Bank as of December 31, 2014 was 70,000,000 (2013 – 70,000,000) shares. During the year ended December 31, 2014, the Bank declared and paid dividend of US$38,000 and US$38,000 (2013: US$48,000 and US$48,000), respectively.

12. Commitments and Contingencies

The consolidated 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, standby letters of credit and guarantees plus commitments to purchase and sell securities. The commitments and contingencies consist of:

	December 31,	
	2014	2013
	US$ 000	US$ 000
Commercial letters of credit	**1,150**	1,150
Stand by letters of credit and guarantees	**31,145**	38,701
Loans commitments	**7,587**	11,363

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.

Legal contingency

Madoff Trustee Litigation

On September 22, 2011, the Trustee for the liquidation of Bernard L. Madoff Investment Securities LLC (BLMIS), and the substantively consolidated estate of Bernard L. Madoff (“the Madoff Trustee”) filed a complaint against Credicorp’s subsidiary ASB (the “Madoff Complaint”) in the U.S. Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”), pending under adversary proceeding number 11-02730 (SMB). The Madoff Complaint seeks recovery of approximately US$120 million. This amount is alleged to be equal to amount of funds that ASB managed in Atlantic US Blue Chip Fund that were invested in Fairfield Sentry Fund Limited (hereafter “Fairfield Sentry”) and redeemed, along with returns thereon between the end of 2004 and the beginning of 2005. The Madoff Complaint further alleges that Fairfield Sentry was a “feeder fund” that invested in BLMIS; that the Madoff Trustee filed an adversary proceeding against Fairfield Sentry, seeking to avoid and recover the initial transfers of monies from BLMIS to Fairfield Sentry; that on June 7 and 10, 2011, the Bankruptcy Court approved a settlement among the Madoff Trustee, Fairfield Sentry and others; and that the Madoff Trustee is entitled to recover the sums sought from ASB as “subsequent transfers” or “avoided transfers” from BLMIS to Fairfield Sentry that Fairfield Sentry in turn subsequently transferred to ASB.

12. Commitments and Contingencies (continued)

The Madoff Trustee has filed similar actions against numerous other alleged “subsequent transferees” that invested in Fairfield Sentry and its sister entities which, in turn, invested and redeemed funds from BLMIS. ASB’s counsel and the Madoff Trustee entered into a stipulations extending ASB’s time to move, answer or otherwise respond to the Madoff Complaint. Management believes that ASB has substantial defenses against the Madoff Trustee’s claims alleged in the Madoff Complaint and intends to contest these claims vigorously.

In addition, ASB, as well as other defendants, filed a motion to withdraw the reference to Bankruptcy Court pursuant to an Administrative Order entered by the Bankruptcy Court on March 5, 2012 directing that all defendants to pending adversary proceedings brought by the Madoff Trustee file their motions to withdraw the reference no later than April 2, 2012. ASB’s management asserted that the Madoff Complaint against ASB raised several important issues that it believed required interpretation of federal, non-bankruptcy law and which interpretation should be addressed by a U.S. federal district court as opposed to a federal bankruptcy court and ASB filed its Motion to Withdraw the Bankruptcy Court Reference (the“Withdrawal Motion”) on or prior to April 2, 2012. The Federal District Court for the Southern District of New York (the “District Court”) established various consolidated briefing procedures and schedules which have directly impacted the action pending against ASB, including with respect to one or more of the other issues advanced in support of ASB’s Withdrawal Motion.

The District Court has now ruled on many of those issues. To date, the District Court has declined to dismiss the complaints, but issued several rulings regarding legal standards that will apply to the litigation of the cases before the Bankruptcy Court, to which the Federal District Court remanded the cases. In particular, on April 27, 2014, the District Court ruled that the Madoff Trustee bears the burden of pleading particularized allegations that a defendant knew or willfully blinded itself to the fact that BLMIS was a fraud. On July 6, 2014, the District Court held that limits on the extraterritorial application of the U.S. Bankruptcy Code preclude the Madoff Trustee from relying on section 550(a) of the Code to pursue recovery of transfers made by a foreign (non-U.S.-based) transferor to a foreign transferee outside the United States. The impact of those rulings on the Madoff Trustee’s claims against ASB and other similarly situated defendants is currently the subject of ongoing consolidated briefing before the Bankruptcy Court, which will not be completed before the end of the second quarter of 2015. ASB’s deadline for responding to the Madoff Trustee’s complaint has been extended until after the Bankruptcy Court rules on these issues.

Management believes that ASB has substantial defenses against the Madoff Trustee’s claims alleged in the Complaint and intends to contest these claims vigorously. Management considers, among other substantial defenses, that the Complaint considers only the amounts withdrawn, without taking into account the amounts invested in Fairfield. Furthermore, the proceeds of the redemption of shares in Fairfield, were reinvested in BLMIS through another vehicle, which resulted in a net loss of approximately US$78 million as of December, 2008. Based on this arguments Management has not recognized any provision.

12. Commitments and Contingencies (continued)

Fairfield Litigation

On April 13, 2012, Fairfield Sentry Limited (In Liquidation) and its representative, Kenneth Krys (the "Fairfield Liquidator"), filed a complaint against ASB (the "Fairfield Complaint") in the Bankruptcy Court, styled as Fairfield Sentry Limited (In Liquidation) v. Atlantic Security Bank and Beneficial Owners of Accounts Held in the Name of Atlantic Security Bank 1-1000, Adv. Pro. No.12-01550 (SMB) (the "Fairfield v. ASB Adversary Proceeding"). The Fairfield Complaint seeks to recover the amount of US$115,165,423.28, reflecting ASB's redemptions of certain investments in Fairfield Sentry, together with investment returns thereon. These are essentially the same moneys that Madoff Trustee seeks to recover in the Madoff Trustee Litigation described above. Thereafter, the Fairfield v. ASB Adversary Proceeding was procedurally consolidated by the Bankruptcy Court with other adversary actions brought by the Fairfield Liquidator against former investors in Fairfield Sentry. Pursuant to that consolidation, and by stipulation of the parties, the Bankruptcy Court's previously entered stay of all proceedings in the Fairfield Liquidator adversary actions (except for the filing of amended complaints) in light of pending litigation in the British Virgin Island courts (the "BVI Litigation") calling into question the Fairfield Liquidator's ability to seek recovery of funds

Invested with and redeemed from Fairfield Sentry, was applied in the Fairfield v. ASB Adversary Proceeding, thereby indefinitely extending ASB's time to answer, move or otherwise respond to the Fairfield Complaint until the stay is lifted. On January 14, 2013, the Fairfield Liquidator filed an Amended Complaint in the Fairfield v. ASB Adversary Proceeding seeking the same amount of recovery as in the original Fairfield Complaint but adding additional allegations and causes of action.

On April 16, 2014, the Privy Council of Great Britain delivered a judgment with respect to the pending BVI Litigation, finding that Fairfield could not recover. For now the Bankruptcy Court remains in effect, and ASB's time to answer, move or otherwise respond to the Amended Complaint remains stayed pending further order of the Bankruptcy Court.

Management believes that ASB has substantial defenses against the Fairfield Liquidator's claims alleged in the Amended Complaint and intends to contest these claims vigorously. Based on this arguments Management has not recognized any provision.

13. Concentration of Assets and Liabilities

At December 31, 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:

	2014	
	Assets US$000	**Liabilities US$000**
Latin America and the Caribbean	**1,141,256**	**1,245,657**
United States of America	**557,566**	**12,866**
Other countries	**165,055**	**405,067**
	1,863,877	**1,663,590**

	2013	
	Assets US$000	Liabilities US$000
Latin America and the Caribbean	1,059,569	1,428,103
United States of America	540,452	102,681
Other countries	151,134	38,831
	1,751,155	1,569,615

14. Derivative Financial Instruments

The Bank uses the following derivative instruments for hedging and trading 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.

	2014			*2013*		
	Assets US$000	***Liabilities US$000***	***Notional Amount US$000***	*Assets US$000*	*Liabilities US$000*	*Notional Amount US$000*
Derivarives held for trading						
Forward foreign currency contracts - sale	**59**	**26**	**4,373**	-	8	3,372
Interes rate swaps	**10**	**36**	**9,968**	6	265	34,501
Futures	**-**	**6**	**10,000**	66	-	120,700
Credit default swaps	**111**	**150**	**26,649**	76	12	14,915
	180	**218**	**50,990**	148	285	173,488

14. Derivative Financial Instruments (continued)

For the year ended December 31, 2014, the Bank recognized a net loss of US$137(2013: net gain US$586), representing the net loss in derivative financial instruments held for trading and economic hedging purposes.

As of December 31, 2014 and 2013, the Bank has positions in the following types of derivatives:

Swaps

An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often exchange a fixed payment for a floating payment that is linked to an interest rate (most often the LIBOR). A company will typically use interest rate swaps to limit or manage exposure to fluctuations in interest rates, or to obtain a marginally lower interest rate than it would have been able to get without the swap.

Credit default swaps are contractual agreements between two parties to make payments with respect to defined credit events, based on specified notional amount. The Bank purchases and sells credit default swaps from and to counterparties in order to mitigate the risk of default by the counterparty on the underlying security referenced by the swap and for yield enhancement purposes.

Forwards and futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over–the–counter market. Futures contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements.

The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk. The Bank has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honored.

Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

14. Derivative Financial Instruments (continued)

Derivative financial instruments held or issued for trading purposes

Most of the Bank's derivative trading activities are related to its investment portfolio, in order to reduce its exposure to risk. These are normally contracted in the over-the-counter market. The Bank may also take positions with the expectation of profiting from favorable movements in prices, rates or indexes. Also, under this hedging are included any derivatives which do not meet IAS 39 hedging requirements.

15. Subsequent Event

The Bank has evaluated the impact of all subsequent events through March 23, 2015, which is the date that the financial statements were available to be issued and has determined that there were no additional subsequent events requiring adjustment or disclosure to the financial statements.