Atlantic Security Bank

Report and Consolidated Financial Statements
December 31, 2015

Atlantic Security Bank

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December 31, 2015

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Independent auditor's report

To the Board of Directors of Atlantic Security Bank

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Atlantic Security Bank and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of income, comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 auditor's 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.

Independent auditor's report (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Atlantic Security Bank and its subsidiaries as at December 31, 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

April 28, 2016

Atlantic Security Bank

Consolidated Statement of Financial Position
December 31, 2015
(Amount expressed in thousands of US$ dollars)

	2015	2014
Assets		
Cash and cash equivalents (Note 6)		
Cash	23	19
Interest - bearing deposits with banks	145,407	94,468
Overnight placements	21,779	37,852
Total cash and cash equivalents	167,209	132,339
Risk portfolio, net (Notes 7 and 9)	1,787,855	1,754,369
Derivatives financial instruments (Note 8)	248	180
Premises and equipment, net	1,547	1,854
Other assets	5,848	10,364
Total assets	1,962,707	1,899,106
Liabilities and Shareholder's Equity		
Liabilities		
Deposits		
Non interest - bearing - demand (Note 10)	495,167	446,557
Interest - bearing		
Demand (Note 10)	71,363	88,717
Time (Note 10)	1,012,585	1,087,924
Financing and borrowing funds (Note 9)	167,745	50,896
Derivatives financial instruments (Note 8)	283	218
Other liabilities (Note 10)	6,402	12,774
Total liabilities	1,753,545	1,687,086
Commitments and contingencies (Notes 12 and 14)		
Shareholder's equity		
Share capital (Note 11)	70,000	70,000
Reserve for valuation of available for sale financial assets (Note 7)	300	12,109
Retained earnings	138,862	129,911
Total shareholder's equity	209,162	212,020
Total liabilities and shareholder's equity	1,962,707	1,899,106

Fernando Dasso Montero
Director

Pedro Rubio Feijoo
Director

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

Atlantic Security Bank

Consolidated Statement of Income
For the year ended December 31, 2015
(Amount expressed in thousands of US$ dollars)

	2015	2014
Interest and Dividend Income		
Interest on deposits with banks and overnight placements	280	302
Interest and dividends on investment	32,830	33,211
Interest on loans	47,723	45,247
Total interest and dividend income (Note 10)	80,833	78,760
Interest expense		
Interest on deposits	39,266	37,038
Interest on borrowed funds	1,164	996
Total interest expense (Note 10)	40,430	38,034
Net interest and dividend income	40,403	40,726
Provision for loan losses (Note 7)	-	(13)
Net interest and dividend income after provision for loan losses	40,403	40,713
Non-Interest Income (Expense)		
Fees and commission income (Note 10)	17,817	17,057
Fees and commission expense (Note 10)	(9,726)	(9,326)
Net realized gains on sales of financial assets (Note 7)	16,858	8,321
Provision for impairment of financial assets	(8,611)	(2,594)
Net gains (losses) on derivatives financial instruments (Notes 8 and 10)	178	(137)
Foreign currency translation loss	(662)	(946)
Reversals of provision for impairment of financial assets (Note 7)	6,188	385
Other income/expenses (Note 13)	(3,375)	14,587
Total non-interest income, net	18,667	27,347
Operating Expenses		
Salaries and employee benefits	6,216	5,613
General and administrative expenses (Note 10)	5,556	5,534
Depreciation and amortization	347	362
Total operating expenses	12,119	11,509
Net profit	46,951	56,551

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, 2015
(Amount expressed in thousands of US$ dollars)

	2015	2014
Profit for the year	46,951	56,551
Other comprehensive income		
Net loss on available-for-sale financial assets	(11,809)	(6,845)
Total comprehensive income for the year	35,142	49,706

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, 2015
(Amount expressed in thousands of US$ dollars)

	Share Capital	Reserve for Valuation of Available for Sale Financial Assets	Retained Earnings	Total Shareholder's Equity
At January 1, 2014	70,000	18,954	111,360	200,314
Net profit	-	-	56,551	56,551
Other comprehensive income (Note 6)	-	(6,845)	-	(6,845)
Total comprehensive income	-	(6,845)	56,551	49,706
Transactions with the shareholder				
Dividends paid	-	-	(38,000)	(38,000)
Balance at December 31, 2014	70,000	12,109	129,911	212,020
Net profit	-	-	46,951	46,951
Other comprehensive income (Note 7)	-	(11,809)	-	(11,809)
Total comprehensive income	-	(11,809)	46,951	35,142
Transactions with the shareholder				
Dividends paid	-	-	(38,000)	(38,000)
Balance at December 31, 2015	70,000	300	138,862	209,162

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, 2015
(Amount expressed in thousands of US$ dollars)

	2015	2014
Cash flows from operating activities		
Net profit	46,951	56,551
Adjustments to reconcile net profit to net cash flows (used in) provided by operating activities:		
Interest expense	40,430	38,034
Interest and dividend income	(80,833)	(78,760)
Impairment losses of financial assets	2,666	2,594
Reversal for loan losses	(243)	(372)
Gains on sales of financial assets	(16,858)	(8,321)
Net (gain) /loss on derivatives financial assets	(178)	137
Depreciation and amortization	347	362
Net changes in operating assets and liabilities:		
Other interest - bearing deposit with banks	1,530	1,072
Loans	(72,175)	(57,346)
Deposits	(45,470)	168,088
Net changes in other assets provided and other liabilities	(1,859)	6,270
Interest paid	(38,950)	(36,515)
Interest and dividends received	79,801	77,738
Cash flows (used in) provided by operating activities	(84,841)	169,532
Cash flows from investing activities		
Purchases of financial assets	(518,526)	(549,165)
Sales of financial assets	560,578	519,085
Sales of reverse repurchase agreement	500	(500)
Acquisition of premises and equipment	(41)	(86)
Net cash flows provided by (used in) investing activities	42,511	(30,666)
Cash flows from financing activities		
Proceeds from borrowing funds	161,995	121,417
Payment of borrowing funds	(45,237)	(195,530)
Dividends paid	(38,000)	(38,000)
Net cash flows provided by (used in) financing activities	78,758	(112,113)
Net increase in cash and cash equivalents	36,428	26,753
Cash and cash equivalents at January 1	126,199	99,446
Cash and cash equivalents at December 31	162,627	126,199

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 registered office of the Bank is located at Ugland House, South Church St. KY1-1104, George Town, 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 31, 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 April 28, 2016.

2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies used in the preparation of the consolidated financial statements. These policies have consistently been applied with respect to the previous year, unless indicated otherwise.

Basis of Preparation

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").

2. Summary of Significant Accounting Policies (Continued)

Basis of Preparation (continued)
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.

New Standards and Amendments Adopted by the Bank
There are not standards and amendments adopted for the first time for the year that began on January 1, 2015 which have had a material impact on the consolidated financial statements of the Bank.

New Standards and Amendments Issued but not yet Effective and not Early Adopted by the Bank
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Bank, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Bank is yet to assess IFRS 9's full impact.

2. Summary of Significant Accounting Policies (Continued)

Basis of Preparation (continued)

New Standards and Amendments Issued but not yet Effective and not Early Adopted by the Bank (continued)

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of consolidated financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Bank is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

Principles of Consolidation

The consolidated financial statements comprise Atlantic Security Bank and its wholly owned subsidiaries. All significant intercompany balance and transactions have been eliminated in consolidation.

Subsidiaries are all entities over which the Bank has control. 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 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.

2. Summary of Significant Accounting Policies (Continued)

Principles of Consolidation (continued)
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Bank losses control over a subsidiary, it derecognizes the related assets, liabilities, non-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.

Foreign Currency Operations

Functional Presentation Currency
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.

Transactions and Balances
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 and liabilities denominated in foreign currencies at year end exchange rates are recognized in profit or loss.

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.

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.

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.

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (continued)
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 interest method), 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 and reported at the principal amount outstanding, net for credit losses, unearned income and deferred loan fees. Interest income is recognized over the term of the loan a using the effective interest method.

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 and valuables, 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.

2. Summary of Significant Accounting Policies (Continued)

Financial Assets (continued)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale.

Held-to-maturity investments are measured at 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.

2. 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. 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.

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.

2. Summary of Significant Accounting Policies (Continued)

Measurement Subsequent to Initial Recognition (continued)
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.

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.

2. Summary of Significant Accounting Policies (Continued)

Impairment of Financial Assets (continued)
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.

Allowance for Credit Losses
The Bank maintains an allowance for credit losses, which consists of specific and collective allowances as follows:

Specific Allowances
Specific allowances are determined on an exposure and reflect the associated estimated credit loss. The specific allowance for credit loss is computed as the difference between book value and the present value of the expected future cash flows from the loan. The effective rate of return on the loan is used for discounting the cash flows. However, when foreclosure of a collateral-dependent loan is probable, the Bank measures impairment based on the fair value of the collateral. The Bank estimated costs to sell, on a discounted basis, in the measurement of impairment if those costs are expected to reduce the cash flows available to repay or otherwise satisfy the loan. If the measurement of an impaired loan is less than the recorded investment in the loan, then the Bank recognizes impairment by creating an allowance with a corresponding charge to provision for credit losses.

2. Summary of Significant Accounting Policies (Continued)

Collective Allowances
The allowance for credit losses attributed to the remaining portfolio is established through various analyses that estimate the incurred loss at the balance sheet date inherent in the lending and off-balance sheet credit related arrangements portfolios. These analyses consider historical default rates and loss severities, internal risk ratings. Management also considers overall portfolio indicators including trends in internally risk rated exposures, cash-basis loans, historical and forecasted write-offs, the current business strategy and credit process, including limit setting and compliance, credit approvals, loan underwriting criteria and loan workout procedures.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, which can be called upon if the debtor is in default under the terms of the agreement, has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated loss increases or decreases because of an event occurring after the allowance was recognized, the previously recognized loss is increased or reduced by adjusting the loan loss provision in the consolidated statement of income. If a write-off is later recovered, the recovery is credited against to allowance for credit losses in the consolidated statement of financial position. Another considerations and treatment for loans, guarantees and loan losses are fully described in Note 7.

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 recover.

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.

2. Summary of Significant Accounting Policies (Continued)

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.

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

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.

Fiduciary Activities

Securities and valuables (other than cash and deposits held with the Bank) held in trust, custody, agency or fiduciary capacity for customer are not included in the consolidated statement of financial position because the Bank is not the beneficiary of these assets. Commissions received from fiduciary activities are included in fee and commission income, and is recognized under the accrual method.

Income Taxes

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with the 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.

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.

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. 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. Assumptions regarding the fair value of each class of financial assets and liabilities are fully described in Note 5 of these 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. Those factors could be listed but not limited to:

- Objective evidence of impairment.
- Significant financial difficulties of issuer / debtor.
- Probability that the debtor will enter bankruptcy or financial reorganization and default
- Sufficiency of guarantee coverage
- Breach of contract, such as a default or delinquency in interest or principal payments (more than 30 days overdue)

3. Significant Accounting Judgments, Estimates and Assumptions (Continued)

Impairment of Financial Assets (continued)
In addition to specific provision against individually significant loans and advances, the Bank also makes a collective assessment to determine whether there is objective evidence that impairment has been incurred but not yet is been identified. For this group the estimated impairment losses are recognized in a separate provision for impairment, in the consolidated statement of income.

The Bank also records impairment charges on available for sale 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 making this judgment, the Bank evaluates, among other factors, historical share price movements, duration and extent to which the fair value of an investments is less than its cost and the financial health of and short term business outlook for the investee, performing additional sectorial analysis when it's necessary. The impairment loss on available for sale investments is disclosed in more detail in Notes 4 and 5.

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 with a high probability that an event of loss or gain can occur.

4. Financial 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.

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.

4. Financial Risk Management (Continued)

Credit Risk

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

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

Financial assets which potentially 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 7.

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

Credit Related Commitments

The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and stand-by letters of credit, which represent irrevocable assurances that the Bank will execute payments in 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.

(Amount expressed in thousands of US$ dollars)

4. Financial Risk Management (Continued)

Credit Risk (consolidated)

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:

	2015	
	Assets	**Liabilities**
Latin America and the Caribbean	1,140,403	1,305,765
United States of America	660,829	178,227
Cayman Islands	10,190	245,049
Other countries	143,643	17,818
	1,955,064	1,746,860

	2014	
	Assets	**Liabilities**
Latin America and the Caribbean	1,132,561	1,338,821
United States of America	599,173	60,021
Cayman Islands	15,819	250,320
Other countries	139,155	24,933
	1,886,708	1,674,094

Placements with banks

Analysis by credit quality of amounts due from banks outstanding at 31 December 2015 and 2014, is as follows:

	2015	**2014**
AA-to AA+	62,008	23,414
A-to A+	89,699	63,228
BBB-to BBB-	15,479	45,678
Total	167,186	132,320

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

(Amount expressed in thousands of US$ dollars)

4. Financial Risk Management (Continued)

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 it's impacted by 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.

	2015						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
Assets							
Cash and cash equivalents	162,604	-	4,582	-	-	23	167,209
Financial assets	12,497	22,088	39,420	445,265	271,002	66,832	857,104
Loans	136,207	137,729	578,071	10,840	67,904	-	930,751
Other assets	-	-	-	-	-	7,643	7,643
	311,308	159,817	622,073	456,105	338,906	74,498	1,962,707
Liabilities							
Deposits							
Non-interest bearing	-	-	-	-	-	495,167	495,167
Interest bearing	136,890	115,397	586,667	177,957	67,037	-	1,083,948
Financing and borrowings funds	15,943	107,284	44,518	-	-	-	167,745
Other liabilities	-	-	-	-	-	6,685	6,685
	152,833	222,681	631,185	177,957	67,037	501,852	1,753,545
Total interest sensitivity gap	158,475	(62,864)	(9,112)	278,148	271,869		

(Amount expressed in thousands of US$ dollars)

4. Financial Risk Management (Continued)

Interest Rate Risk (continued)

	2014						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
Assets							
Cash and cash equivalents	116,191	13,022	3,107	-	-	19	132,339
Financial assets	17,013	37,336	21,320	456,250	262,307	103,287	897,513
Loans	100,289	115,491	173,553	399,619	67,904	-	856,856
Other assets	-	-	-	-	-	12,398	12,398
	233,493	165,849	197,980	855,869	330,211	115,704	1,899,106
Liabilities							
Deposits:							
Non-interest bearing	-	-	-	-	-	446,557	446,557
Interest bearing	135,356	263,197	201,975	502,351	73,762	-	1,176,641
Financing and borrowings funds	5,399	41,111	4,386	-	-	-	50,896
Other liabilities	-	-	-	-	-	12,992	12,992
	140,755	304,308	206,361	502,351	73,762	459,549	1,687,086
Total interest sensitivity gap	92,738	(138,459)	(8,381)	353,518	256,449		

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

	2015		2014	
Financial Margin Sensitivity	Sensitivity Increase 100 bps	Sensitivity Decrease 100 bps	Sensitivity Increase 100 bps	Sensitivity Decrease 100 bps
Assets				
Due from banks	19	(19)	1,013	(89)
Loans	4,644	(4,632)	3,868	(3,851)
Financial assets	500	(459)	585	(487)
	5,163	(5,110)	5,466	(4,427)
Liability				
Deposits	7,773	(4,524)	6,038	(4,101)
	7,773	(4,524)	6,038	(4,101)
Total interest sensivity gap	2,610	(586)	572	(326)
Other Comprehensive Income				
Assets				
Financial assets	(29,331)	27,948	(29,499)	27,139

(Amount expressed in thousands of US$ dollars)

4. Financial Risk Management (Continued)

Interest Rate Risk (continued)
The table below summarizes the weighted average interest rates for assets and liabilities as of December 31:

	2015 %		2014 %	
	End of year	During the year	End of year	During the year
Assets				
Interest-bearing deposits with banks	0.20	0.30	0.22	0.30
Financial assets	3.41	3.65	3.55	3.67
Loans	5.35	5.40	5.62	5.57
Liabilities				
Deposits	3.59	3.25	3.29	3.25
Financing and borrowing funds	1.31	1.25	1.20	1.13

Price Risk
The bank's exposure to equity securities price risk arises from investments held by the Bank and classified in the financial position either as available-for-sale (Note 7). To manage its price risk arising from investments in equity securities, the bank diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Bank. The sensitivity to a reasonable possible change in price rates, the analysis is based on the assumption that the equity indexes had increased or decrease by 2% with all other variables held constant, of the Bank's consolidate comprehensive income were demonstrate as follows:

	%	Impact Comprehensive Income
Hedge fund and private equity - increase	2%	1,145
Hedge fund and private equity - decrease	(2%)	(1,145)

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

The Bank is exposed to daily calls on available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs and guarantees. The Bank does not maintain cash resources to meet all of these needs, as experience with its specific customer base shows that a minimum level of reinvestment of maturing can be predicted with a high degree of certainty. As of December 31, 2015 and 2014, the Bank holds a substantial amount of securities which Management considers as secondary liquidity source.

(Amount expressed in thousands of US$ dollars)

4. Financial Risk Management (Continued)

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.

	2015					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	162,627	-	4,582	-	-	167,209
Financial assets	40,528	74,742	40,935	443,912	256,987	857,104
Loans	98,397	142,815	610,795	10,840	67,904	930,751
Other assets	319	638	956	5,730	-	7,643
	301,871	218,195	657,268	460,482	324,891	1,962,707
Liabilities						
Deposits						
Non-interest bearing	172,263	23,726	62,230	174,246	62,702	495,167
Interest bearing	136,891	115,397	586,668	177,958	67,035	1,083,948
Financing and borrowing funds	15,943	107,284	44,517	-	-	167,745
Other liabilities	559	1,118	5,008	-	-	6,685
	325,656	247,525	698,423	352,204	129,737	1,753,545
Net liquidity gap	(23,785)	(29,330)	(41,155)	108,278	195,154	209,162

	2014					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	116,210	13,022	3,107	-	-	132,339
Financial assets	44,766	84,259	59,316	446,432	262,740	897,513
Loans	75,474	102,406	575,823	35,249	67,904	856,856
Other assets	531	1,032	1,548	9,287	-	12,398
	236,981	200,719	639,794	490,968	330,644	1,899,106
Liabilities						
Deposits:						
Non-interest bearing	155,351	21,397	56,122	157,140	56,547	446,557
Interest bearing	135,365	263,197	641,750	67,095	69,234	1,176,641
Financing and borrowing funds	5,399	41,111	4,386	-	-	50,896
Other liabilities	1,086	2,170	9,736	-	-	12,992
	297,201	327,875	711,994	224,235	125,781	1,687,086
Net liquidity gap	(60,220)	(127,156)	(72,200)	266,733	204,863	212,020

(Amount expressed in thousands of US$ dollars)

4. Financial Risk Management (Continued)

Liquidity Risk (continued)

The tables below analyses the group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2015					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Deposits						
Non interest bearing	495,167	-	-	-	-	495,167
Interest bearing	135,846	127,669	586,186	178,978	78,589	1,107,268
Financial and borrowing funds	15,920	107,501	44,743	-	-	168,163
	646,933	235,170	630,929	178,978	78,589	1,770,598

	2014					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Deposits						
Non interest bearing	446,557	-	-	-	-	446,557
Interest bearing	134,782	259,711	653,451	68,173	82,108	1,198,225
Financial and borrowing funds	5,391	41,171	4,388	-	-	50,950
	586,730	300,882	657,839	68,173	82,108	1,695,732

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

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates. Liquidity required to support calls under guarantees and stand-by letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash needs, since many of these commitments will expire or terminate without actually being funded.

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4. Financial Risk Management (Continued)

Capital Risk
The Bank monitors its capital adequacy using ratios based on industry best practices and the recommendations issued by the Basel Committee on Banking Regulations and Supervisory Practices. The capital adequacy ratio measures capital adequacy by comparing the Bank's eligible capital, 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

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 Banks and Trust Companies Law (Revised) of the Cayman Islands, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by CIMA about components and risk weightings.

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.

(Amount expressed in thousands of US$ dollars)

4. Financial Risk Management (Continued)

Capital Risk (continued)
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.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of capital. The Bank is required to maintain a minimum net worth of US$500 by CIMA regulations.

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:

	Base Amount	Risk Weighted Assets
Statements of financial positions and off-balance Sheet weighted		
Credit Risk		
Cash items	23	-
Claims on Sovereigns	45,251	3,373
Claims on Non Central Government Public Sector Entities (PSEs)	3,205	2,861
Claims on Multilateral Development Banks (MDBs)	60	12
Claims on Banks and Security Firms	335,963	125,622
Claims on Corporates and Security Firms	563,402	569,688
Claims on Retail Portfolio	916,496	140,063
Claims secured on Higher Risk Categories & other assets	82,177	82,177
Total Balance Sheet items	1,946,577	923,796
Off-Balance sheets items	73,769	7,872
Counterparty Credit Risk	5,151	6
Securitizations	13,558	8,831
Total Credit Risk	2,039,055	940,505
Operational Risk		
Standardized Approach		143,524
Market Risk		48,726
Total Risk Weighted Assets		1,132,755
Capital Constituents		
Net Tier 1 and Net Tier 2 Capital		203,121
Capital Adecuacy Ratio as of December 31, 2015		17.93%
Capital Adecuacy Ratio as of December 31, 2014		15.63%
Minimum capital adequacy regulatory ratio		12%

4. Financial Risk Management (Continued)

Capital Risk (continued)
The Bank only applies the market risk approach for the trading investment position.

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 2015, the implementation of second phase remains pending.

5. 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.

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. 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. (see Note 7)

- *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.

(Amount expressed in thousands of US$ dollars)

5. Fair Value of Financial Instruments (Continued)

- *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.

	2015		2014	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Assets				
Cash and cash equivalents	167,209	167,209	132,339	132,339
Financial assets	857,104	857,104	897,513	897,513
Loans, net	930,751	930,681	856,856	856,863
Other assets	7,643	7,643	12,398	12,398
	1,962,707	1,962,637	1,899,106	1,899,113
Liabilities				
Deposits				
Non-interest bearing	495,167	495,167	446,557	446,557
Interest bearing	1,083,948	1,084,838	1,176,641	1,176,843
Financing and borrowing funds	167,745	167,745	50,896	50,896
Other liabilities	6,686	6,686	12,992	12,992
	1,753,546	1,754,436	1,687,086	1,687,288

The Bank establishes a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - Information other than the quoted prices included in Level 1 that is observable for the asset or liability, either directly (that is as prices) or indirectly (that is, derived from prices).

- Level 3 - Information of asset or liability that is not based on observable market data (unobservable support).

(Amount expressed in thousands of US$ dollars)

5. Fair Value of Financial Instruments (Continued)

The following table analyzes the fair value of financial instrument measured at fair value in books, by the level of fair value hierarchy in which have been classified:

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivatives Held for Trading				
Interest rate swaps	-	3	-	3
Forward	-	4	-	4
Futures	160	-	-	160
Credit default swaps	-	81	-	81
Total	160	88	-	248
Held for Trading	24,066	-	-	24,066
Available for Sale				
Debt securities	787,597	-	704	788,301
Equity securities (including mutual funds)	10,382	550	33,805	44,737
Total	797,979	550	34,509	833,038
Total financial assets	822,205	638	34,509	857,352
Financial Liabilities				
Derivatives Held for Trading				
Forward foreign currency contracts - sale	-	7	-	7
Interest rate swaps	-	250	-	250
Credit default swaps	-	26	-	26
	-	283	-	283

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

	January 1, 2015	Total gains/ (losses) Recorded in profit or loss	Total gains/ (losses) recorded in equity	Purchases	Sales	Transfers from level 2 to level 3	December 31, 2015
Available for Sale							
Debt securities	6,245	-	(8)	-	(5,534)	-	704
Equity securities (including mutual funds)	35,742	-	783	7,394	(10,114)	-	33,805
Total	41,987	-	775	7,394	(15,648)	-	34,509

(Amount expressed in thousands of US$ dollars)

5. Fair Value of Financial Instruments (Continued)

	December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
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	775,256	6,538	6,245	788,039
Equity securities (including mutual funds)	37,080	767	35,742	73,589
Total	812,336	7,305	41,987	861,628
Total financial assets	847,721	7,485	41,987	897,193
Financial Liabilities				
Derivatives Held for Trading				
Forward foreign currency contracts - sale	-	26	-	26
Interest 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:

	January 1, 2014	**Total gains/ (losses) Recorded in profit or loss**	**Total gains/ (losses) recorded in equity**	**Purchases**	**Sale**	**Transfers from level 2 to level 3**	**December 31, 2014**
Available for Sale							
Debt securities	6,932	-	-	712	(1,399)	-	6,245
Equity securities (including mutual funds)	37,242	-	772	11,362	(13,634)	-	35,742
Total	44,174	-	772	12,074	(15,033)	-	41,987

(Amount expressed in thousands of US$ dollars)

5. Fair Value of Financial Instruments (Continued)

There were no transfers between levels for recurring fair value measurement during the year.

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.

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	2015	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	167,209	167,209	-	-
Loans, net	930,681	-	930,681	-
	1,097,890	167,209	930,681	-
Liabilities				
Deposits				
Non-interest bearing	495,167	495,167	-	-
Interest bearing	1,084,838	72,253	1,012,585	-
Financing and borrowing funds	167,745	167,745	-	-
	1,747,750	735,165	1,012,585	-

(Amount expressed in thousands of US$ dollars)

5. Fair Value of Financial Instruments (Continued)

	2014	Level 1	Level 2	Level 3
Fair Value				
Assets				
Cash and cash equivalents	132,339	132,339	-	-
Loans, net	856,863	-	856,863	-
	989,202	132,339	856,863	-
Liabilities				
Deposits				
Non-interest bearing	446,557	446,557	-	-
Interest bearing	1,176,843	88,919	1,087,924	-
Financing and borrowing funds	50,896	50,896	-	-
	1,674,296	586,372	1,087,924	-

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.

6. Cash and Cash Equivalents

As of December 31, 2015 and 2014, cash and cash equivalents are represented by deposits with banks and overnight placements. 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.

	2015	2014
Cash	23	19
Interest - bearing deposits with banks	145,407	94,468
Overnight placements	21,779	37,852
Total cash and cash equivalents in the statement of cash flow	167,209	132,339
Less: Placements with other banks with original maturities more than three months	(4,582)	(6,140)
	162,627	126,199

(Amount expressed in thousands of US$ dollars)

7. Risk Portfolio, Net

	2015	2014
Reverse repurchased agreement	-	500
Available-for-sale financial assets, net	833,038	861,628
Loan portfolio, net	930,751	856,856
Held for trading financial assets	24,066	35,385
	1,787,855	1,754,369

Reverse Repurchase Agreement

At December 31, 2015, the Bank had no investments in securities under reverse repurchase agreements. However, at December 31, 2014, the Bank held investments in securities under reverse repurchase agreements for US$500 which matured in through January 5, 2015, with an annual average interest rate of 0.17%.

Financial Assets

	2015				
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Interest Accrued	Fair Value
Held for Trading					
Equities securities	24,618	-	-	-	24,066
Available for Sale					
Federal Agencies notes - U.S.	374	46	-	2	422
U.S. Corporate bonds	443,411	2,722	(19,599)	5,349	431,883
Non - U.S. Corporate bonds	285,676	454	(8,625)	3,975	281,480
Equity securities (including funds)	58,603	13,315	(3,687)	4	68,235
Sovereign debt	50,930	56	(195)	227	51,018
Subtotal	838,994	16,593	(32,106)	9,557	833,038
Less					
Provision for impairment of financial assets	(15,813)	-	15,813	-	-
	823,181	16,593	(16,293)	9,557	833,038

(Amount expressed in thousands of US$ dollars)

7. Risk Portfolio, Net (Continued)

Financial Assets (continued)

	2014				
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Interest Accrued	Fair Value
Held for Trading					
Equities securities	34,347	-	-	-	35,385
Available for Sale					
Federal Agencies notes - U.S.	1,113	65	-	3	1,181
U.S. Corporate bonds	365,168	5,834	(7,969)	4,773	367,806
Non - U.S. Corporate bonds	379,500	2,842	(6,256)	5,017	381,103
Equity securities (including funds)	72,425	9,031	(8,253)	8	73,211
Sovereign debt	38,147	121	(113)	172	38,327
Subtotal	856,353	17,893	(22,591)	9,973	861,628
Less					
Provision for impairment of financial assets	(16,808)	-	16,808	-	-
	839,545	17,893	(5,783)	9,973	861,628

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

	2015	2014
Net realized gains on sales of financial assets	16,858	8,321

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

	2015	2014
Balance at January 1	897,013	858,217
Purchases	518,526	549,165
Sales and write-off, net	(560,578)	(519,085)
Loss from changes in fair value	(11,809)	(6,844)
Impairment losses	(2,666)	(2,594)
Net loss/ (gain) on derivatives	178	(137)
Gain on sales	16,858	8,321
Interest receivable	(430)	9,985
Others	12	(15)
Balance at December 31	857,104	897,013

(Amount expressed in thousands of US$ dollars)

7. Risk Portfolio, Net (Continued)

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:

	2015					
	Federal Agencies Notes-U.S.	US-Corporate Bonds	Non-US Corporate Bonds	Sovereign Debt	Equity Securities & Funds	Total
Held for Trading						
Unrated	-	-	-	-	24,066	24,066
Available-for-Sale						
AAA	-	-	-	38,595	-	38,595
AA- to AA+	-	11,425	9,876	1,349	-	22,650
A- to A+	-	69,735	36,215	-	-	105,950
BBB- to BBB+	-	163,883	153,840	8,376	411	326,510
Lower than BBB-	-	186,610	72,415	-	-	259,025
Unrated	422	227	9,135	2,699	67,825	80,308
	422	431,880	281,481	51,019	68,236	833,038
Total	422	431,880	281,481	51,019	92,302	857,104

	2014					
	Federal Agencies Notes-U.S.	US-Corporate Bonds	Non-US Corporate Bonds	Sovereign Debt	Equity Securities & Funds	Total
Held for Trading						
Unrated	-	-	-	-	35,385	35,385
Available-for-Sale						
AAA	-	-	2,042	-	-	2,042
AA- to AA+	-	3,985	7,267	1,066	-	12,318
A- to A+	-	68,405	50,676	-	-	119,081
BBB- to BBB+	-	98,089	217,027	5,835	-	320,951
Lower than BBB-	-	197,045	93,244	1,467	389	292,145
Unrated	1,180	283	10,848	29,959	72,821	115,091
	1,180	367,807	381,104	38,327	73,210	861,628
Total	1,180	367,807	381,104	38,327	108,595	897,013

(Amount expressed in thousands of US$ dollars)

7. Risk Portfolio, Net (Continued)

Loan Portfolio, Net
The loan portfolio by customers' activity at December 31 is detailed as follows:

	December 31	
	2015	**2014**
Corporate		
Manufacturing	128,138	107,859
Commercial	318,394	271,349
Financial services	47,730	39,771
Agriculture	87,377	91,550
Real estate and construction	171,024	172,789
Mining and other related activities	28,380	14,871
Transportation and communications	86,345	88,635
Education, health and other services	15,120	13,179
Fishing	32,558	43,903
	915,066	843,906
Other activity	15,698	13,206
	930,764	857,112
Less: provision for loan losses	(13)	(256)
	930,751	856,856

As of December 31, 2015 there are loans guaranteed with cash amounted to US$640,415 (2014: US$612,074). These loans were matched in amount and maturity.

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

	2015	**2014**
Fixed interest rates	625,048	651,748
Floating interest rates	305,716	205,364
	930,764	857,112

The following table summarizes the loans age analysis based on the contractual delinquency status of payments under the loan terms.

	December 31	
	2015	**2014**
Current	930,664	856,092
31 - 60 days	100	1,020
	930,764	857,112

(Amount expressed in thousands of US$ dollars)

7. Risk Portfolio, Net (Continued)

Loan Portfolio, Net (continued)

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

	2015			
	Loan Collaterals			
	Carrying Value	U.S. Securities and Real Estate	U.S. Dollar Deposits	Other Collateral
Peru	890,454	30,487	637,900	222,067
British Virgin Islands	13,781	1,710	157	11,914
Panama	13,250	2,873	2,155	8,222
United States of America	8,840	-	-	8,840
Cayman Islands	2,080	304	-	1,776
Venezuela	1,004	50	-	954
Singapur	1,001	-	-	1,001
Canada	203	-	203	-
Suiza	151	-	-	151
	930,764	35,424	640,415	254,925

	2014				
	Loan Collaterals				
	Carrying Value	U.S. Securities and Real Estate	U.S. Dollar Deposits	Other Collateral	Unsecured Portion
Peru	813,526	38,617	619,302	141,024	14,583
Panama	15,545	661	1,609	13,275	-
British Virgin Islands	11,654	2,998	159	8,497	-
Cayman Islands	6,497	2,499	-	3,998	-
United States of America	4,704	-	-	1,502	3,202
Chile	1,884	-	1,884	-	-
Singapur	1,177	-	-	1,177	-
Venezuela	964	-	-	964	-
Spain	807	-	-	-	807
Canada	203	-	203	-	-
Suiza	151	-	-	151	-
	857,112	44,775	623,157	170,588	18,592

(Amount expressed in thousands of US$ dollars)

7. Risk Portfolio, Net (Continued)

Provision

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

	2015		
	Provision for Impairment of Financial Assets	Provision for Loan Losses	Total
Balance at January 1	16,808	256	17,064
Increase	8,611	-	8,611
Write-off	(3,661)	-	(3,661)
Reversals	(5,945)	(243)	(6,188)
Balance at December 31	15,813	13	15,826

	2014		
	Provision for Impairment of Financial Assets	Provision for Loan Losses	Total
Balance at January 1	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

8. 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, 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.

(Amount expressed in thousands of US$ dollars)

8. Derivative Financial Instruments (Continued)

	2015			2014		
	Assets	Liabilities	Notional Amount	Assets	Liabilities	Notional Amount
Derivatives Held for Trading						
Forward foreign currency contracts - sale	4	7	1,174	59	26	4,373
Interest rate swaps	3	250	12,614	10	36	9,968
Futures	160	-	121,200	-	6	10,000
Credit default swaps	81	26	8,000	111	150	26,649
	248	283	142,988	180	218	50,990

For the year ended December 31, 2015, the Bank recognized a net gain of US$178 (2014: net loss US$137), representing the net gain in derivative financial instruments held for trading and economic hedging purposes.

As of December 31, 2015 and 2014, the Bank had 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.

(Amount expressed in thousands of US$ dollars)

8. Derivative Financial Instruments (Continued)

Forwards and Futures (continued)
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.

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.

9. Financing and Borrowing Funds

As of December 31, 2015, the Bank maintained financing and borrowing funds through repurchased agreements which amounted US$140,828 (2014: US$45,504) and short term financing as working capital of US$26,917 (2014: US$5,392).

The following table details other borrowed funds:

	December 31	
	2015	**2014**
Amount at the end of the year	167,745	50,896
Average during the year	99,702	81,359
Maximum at any month end	167,745	115,090

(Amount expressed in thousands of US$ dollars)

9. Financing and Borrowing Funds (Continued)

The breakdown of financing and borrowing funds is as follows:

	December 31					
Repurchased Agreements	**Interest Rate%**	**Maturity**	**2015**	**Interest Rate %**	**Maturity**	**2014**
	0.0	2-Jan-16	3,096	1.2	10-Feb-15	11,259
	0.8	2-Jan-16	1,756	1.3	23-Jun-15	4,364
	1.0	2-Jan-16	2,391	1.2	2-Mar-15	29,881
	1.1	2-Jan-16	3,432			
	1.3	2-Jan-16	6,356			
	1.5	2-Jan-16	1,812			
	1.6	23-Feb-16	5,186			
	1.8	24-Mar-16	9,788			
	1.5	28-Mar-16	7,588			
	1.7	22-Apr-16	7,407			
	1.8	22-Apr-16	3,135			
	1.6	26-Apr-16	8,940			
	1.8	21-Jun-16	3,930			
	1.8	27-Jun-16	16,045			
	1.5	29-Feb-16	45,917			
	0.7	07-Mar-16	14,049			
			140,828			45,504
Working Capital						
	1.3	26-Feb-16	5,006	1.4	2-Jan-15	400
	1.4	1-Apr-16	5,008	1.0	20-Jan-15	4,992
	1.4	11-Mar-16	5,011			
	1.5	25-Feb-16	10,021			
	0.0	4-Jan-16 *	1,649			
	0.0	4-Jan-16 *	222			
			26,917			5,392
			-			-
Total financing and borrowing funds			167,745			50,896

* Book Overdraft

(Amount expressed in thousands of US$ dollars)

10. 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			
	2015		2014	
	Directors, key management personnel and other related parties	Affiliates	Directors, key management personnel and other related parties	Affiliates
Statement of Financial Position				
Assets				
Interest-bearing deposits with banks	-	3,738	-	2,485
Overnight placements	-	-	-	12,000
Risk portfolio				
Investments in financial instruments, mutual funds managed by the Group and other related parties	9,408	(23)	7,413	(27)
Loans	31,402	10,121	27,177	10,970
Accumulated interest receivable	499	84	593	102
Other assets	825	258	837	291
Liabilities				
Deposits (demand and time)	249,253	22,200	397,661	10,906
Other liabilities	-	582	-	1,536

For the years ended December 31, 2015 and 2014, 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$77,978 in 2015 (2014: US$56,450).

The Bank has guarantee revolving credit line loans with Banco de Crédito de Perú, S. A. amounted US$10,044 (2014: US$10,965), 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.

(Amount expressed in thousands of US$ dollars)

10. Balances and Transactions with Related Parties (Continued)

	December 31			
	2015		2014	
	Directors, key management personnel and other related parties	Affiliates	Directors, key management personnel and other related parties	Affiliates
Off-balance sheet				
Forward currency contracts	-	3,000	-	3,000
Commitments for letter of credit	-	64,619	-	29,033
Investment on behalf of customers	268,437	-	751,563	-
Statements of income				
Salaries and benefit	3,474	-	3,040	-
Interest and dividend income	1,570	652	583	1,269
Interest expense	3,377	40	3,438	136
Losses on derivative financial instruments	-	119	-	101
Fee and commission income	3,062	287	4,742	1,528
Fee and commission expense	-	7,285	-	7,064
General and administrative expenses	-	3,772	-	97

11. Share Capital

The number of authorized, issued and outstanding ordinary shares of the Bank as of December 31, 2015 was 70,000 (2014: 70,000) shares, with a par value of US$1. During the year ended December 31, 2015, the Bank declared and paid dividend of US$38,000 (2014: US$38,000).

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, investments 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	
	2015	2014
Commercial letters of credit	1,150	1,150
Stand by letters of credit and guarantees	64,619	31,145
Loans commitments	25,805	7,587
Hedge funds	2,322	1,451

12. Commitments and Contingencies (Continued)

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

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

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. 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. On August 28, 2014, the Madoff Trustee filed an omnibus motion (the "Omnibus Motion") for leave to replead certain complaints and for limited discovery against certain defendants, including ASB. On October 21, 2014, the Madoff Trustee filed a notice of adjournment of the Omnibus Motion, and the Omnibus Motion remains pending, adjourned sine die. On December 10, 2014, the Bankruptcy Court entered an order, which order has been amended and supplemented from time to time, concerning certain further proceedings in the Madoff Trustee Litigation (the "Proceedings Order"), and which extends ASB's time to move, answer or otherwise respond to the Madoff Complaint to a date to be determined after the Bankruptcy Court makes certain rulings in connection with the Proceedings Order. 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.

12. Commitments and Contingencies (Continued)

Legal Contingency (continued)

Madoff Trustee Litigation (continued)
As noted above, the Madoff Trustee Litigation against ASB is similar to other "subsequent transferee" complaints that the Madoff Trustee has filed against other alleged subsequent transferees. There has been significant briefing on issues related to many of these or similar complaints, and the District Court in the Southern District of New York previously entered several rulings on legal issues presented in motions briefed in common by various defendants against which the Madoff Trustee has asserted "clawback" claims.

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 District Court remanded the cases. In particular, on July 7, 2014, the District Court issued an opinion on extraterritorially (the "Extraterritoriality Order") and, among other things, held that Bankruptcy Code section 550(a) "does not apply extraterritorially to allow for the recovery of subsequent transfers received abroad by a foreign transferee from a foreign transferor".

The impact of this ruling 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 in accordance with the Proceedings Order. ASB participated in the briefing under the Proceedings Order in coordination with other similarly situated defendants, and the Bankruptcy Court held a hearing on these issues on December 16, 2015. At the conclusion of the hearing, the Bankruptcy Court took the matter under advisement. ASB's deadline for responding to the Madoff Trustee's complaint has been extended until after the Bankruptcy Court rules on the issues related to the Extraterritorially Order and/or enters a further order in accordance with the Proceedings Order.

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 ASB 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, 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.

(Amount expressed in thousands of US$ dollars)

12. Commitments and Contingencies (Continued)

Legal Contingency (continued)

Fairfield Litigation (continued)
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") challenging the Fairfield Liquidator's ability in the ASB Adversary Proceeding to seek recovery of funds invested with and redeemed from Fairfield Sentry remained in effect, 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. For now the Bankruptcy Court stay 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 it has substantial defenses against the Fairfield Liquidator's claims alleged in the Amended Complaint and intends to contest these claims vigorously.

13. Other Income and Expenses

This note provides a breakdown of the items included in "other income / expenses" and the information about specific profit and loss disclosed.

	2015	2014
Insurance claim recovery (i)	-	14,650
Reimbursement to reinsurer (ii)	(3,686)	-
Others (iii)	311	(63)
	(3,375)	14,587

13. Other Income and Expenses (Continued)

(i) *Insurance claim recovery*
The Bank recorded an extraordinary income payment received from reinsurers with respect to a claim settlement on losses incurred due to the bankruptcy of Bernard L. Madoff Securities Investments LLC (BLMIS) that occurred in 2008, which affected the Bank's investment in Herald Fund SPC, a feeder fund to BLMIS.

(ii) *Reimbursement to reinsurer*
During 2015 ASB acquired 100% of the shares issued by Atlantic US Blue Chip Fund (Blue Chip). In the same year, Blue Chip sold its interests in Herald Fund SPC which were subsequently paid to ASB as redemption profits. This transaction generated gross proceeds of US$24,187 which less costs result in a net gain of US$22,021 included in net realized gains on sales of financial assets in the income statement.

As part of the claim settlement indicated in (i) above ASB reimbursed US$3,686 to reinsurers to comply with a covenant required that ASB reimburse any surplus on disposal of assets related to the BLMIS fraud that exceed the amount claimed of US$35,151.

(iii) The Bank recorded profits and losses relating to income from unemployment fund, regulatory bank guarantee deposit, other rendered services not related to their core business and expenses relating to loss assumed by customers' transactions.

14. Fiduciary Activities

The Bank maintains off balance of the consolidated financial statement, assets for the account and risk of customers, which comprised loans and investment securities totaling US$3,623,502, and US$4,506,947 in 2015 and 2014, respectively. These assets are comprised by customer portfolios under custody of US$2,569,985 (2014: US$3,194,212), which includes US$856,208 (2014: US$836,119) managed under discretionary mandates. Additionally the Bank managed trust on behalf of customers of US$10,535 (2014: US$12,866).

15. Subsequent Event

The Bank has evaluated the impact of all subsequent events through April 28, 2016, which is the date that the consolidated financial statements were available to be issued and has determined that there were no additional subsequent events requiring adjustment or disclosure to the consolidated financial statements.